

# **SGCO & Co. LLP**

**Chartered Accountants**

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of IKF Finance Limited

Report on the audit of Standalone financial statements

We have audited the accompanying Standalone financial statements of IKF Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and notes to the Standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### **Basis for Opinion**

We conducted our audit of the Standalone financial statements in accordance with the Standards on Auditing (SA), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone financial statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the Standalone 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 audit opinion on the Standalone financial statements.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Standalone financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the Standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the

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accompanying Standalone financial statements.

| Key audit Matters  | How our audit addressed the key audit matter   |
|--|--|
| <p>Impairment of Financial Instruments (expected credit Losses) has been described in Note 2.4.c, 2.6.f and 6 of the Standalone financial statements.</p>  |  |
| <p>Management estimates impairment provision using Expected Credit loss model for the loan exposure as per the Board approved policy which is in line with Ind AS and the Regulations. Measurement of loan impairment involves application of significant judgement by the management. The most significant judgements are:</p> <ul style="list-style-type: none"> <li>Timely identification and classification of the impaired loans, including classification of assets to stage 1, 2, or 3 using criteria in accordance with Ind AS 109 which also include considering the impact of RBI's regulatory circulars,</li> <li>The segmentation of financial assets when their ECL is assessed on a collective basis,</li> <li>Determination of probability of defaults (PD) and loss given defaults (LGD) based on the default history of loans, subsequent recoveries made and other relevant factors and</li> <li>Assessment of qualitative factors having an impact on the credit risk.</li> </ul> | <ul style="list-style-type: none"> <li>We evaluated the design and operating effectiveness of controls across the processes relevant to ECL, including the judgements and estimates.</li> <li>We tested the completeness of loans and advances included in the Expected Credit Loss calculations as of March 31, 2023 by reconciling it with the balances as per loan balance register and loan commitment report as on that date.</li> <li>We tested assets in stage 1, 2 and 3 on sample basis to verify that they were allocated to the appropriate stage.</li> <li>Tested samples to ascertain the completeness and accuracy of the input data used for determining the PD and LGD rates and agreed the data with underlying books of accounts and records.</li> <li>For samples of exposure, we tested the appropriateness of determining EAD, PD and LGD.</li> <li>We performed an overall assessment of the ECL provision levels at each stage including management's assessment and provision on account of Company's portfolio, risk profile, credit risk management practices.</li> <li>We assessed the adequacy and appropriateness of disclosures in compliance with the Ind AS 107 in relation to ECL.</li> </ul> |

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Directors' Report (the "Reports") but does not include Standalone financial statements and our auditors' report thereon. The reports are

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expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the Standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 (Revised) 'The Auditor's responsibilities Relating to Other Information'.

### **Responsibilities of Management and Those Charged with Governance for the Standalone financial statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 to ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Standalone financial statements**

Our objectives are to obtain reasonable assurance about whether the Standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA 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 financial statements.

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

- Identify and assess the risks of material misstatement of the Standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone financial statements, including the disclosures, and whether the Standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone financial statements.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare





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circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2020 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been Kept by the Company so far as it appears from our examination of those books:

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Standalone financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended:

(e) On the basis of written representations received from the directors as on March 31, 2023, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure B” to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2023 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

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

i. The Company does not have any pending litigations which would impact its financial position;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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iv. (a) The Management has represented that to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. The company has not declared or paid any dividend during the year and has not proposed final dividend for the year.

vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

**For SGCO & CO. LLP**

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Firm Reg. No.:- 112081W/W100184



**Suresh Murarka**

Partner

**Membership No. :- 044739**

**UDIN :- 23044739BGUNOX2293**

**Place :- Mumbai**

**Date :- 30-05-2023**



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**ANNEXURE A****REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE"**

Re: IKF Finance Limited ("the Company")

- (i) (a) (1) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets.
- (2) The Company has maintained proper records showing full particulars of intangible assets.
- (b) According to the information and explanations given to us, as per the phase programme of physical verification of fixed assets, the Company carries out physical verification of its entire fixed assets every year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in investment property are held in the name of the Company.
- (d) The Company has not revalued any of its Property, Plant and Equipment (including right-of-use assets) and intangible assets during the year.
- (e) No proceedings have been initiated during the year or are pending against the Company as at March 31, 2023 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder.
- (ii) (a) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii)(a) of the Order are not applicable to the Company
- (b) The Company has been sanctioned working capital limits in excess of ₹ 5 crore, in aggregate, at any points of time during the year, from banks or financial institutions on the basis of security of current assets and the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company.
- (iii) During the year, in the ordinary course of its business, the Company has made investments in, provided guarantee / security to and granted loans and advances in the nature of loans, secured and unsecured, to companies, firms, limited liability partnerships and other parties. With respect to such investments, guarantees /security and loans and advances:
- (a) The Company's principal business is to give loans and, accordingly, the requirements under paragraph 3(iii)(a) of the Order is not applicable to the Company.
- (b) The investments made and the terms and conditions of the grant of all the loans and advances in the nature of loans, during the year are, in our opinion, prima facie, not prejudicial to the Company's interest.
- (c) According to the information and explanations given to us and based on examination of the books and records, in respect of the loans and advances in the nature of loans granted by the company, the schedule of repayment of principle and payment of interest has been stipulated and repayments or receipts are regular, except for the credit impaired cases.





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- (d) The total amount overdue for more than ninety days, in respect of loans and advances in the nature of loans, as at the year-end is Rs. 3402.44 lakhs . Reasonable steps are being taken by the company for recovery of the principal and interest as stated in the applicable regulations and loan agreements.
- (e) The Company's principal business is to give loans and, accordingly, the requirements under paragraph 3(iii)(e) of the Order are not applicable to the Company.
- (f) The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment during the year. Hence, reporting under clause 3(iii)(f) is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investment made and guarantees, and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits from the public. Hence, reporting under clause 3(v) of the order is not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services of the Company. Hence, reporting under clause 3 (vi) of the Order is not applicable to the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities. As informed, the provisions relating to service tax, wealth tax, sales tax, value added tax, excise duty and customs duty are currently not applicable to the Company.
- There were no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed, the provisions relating to service tax, wealth tax, sales tax, value added tax, excise duty and customs duty are currently not applicable to the Company.
- (b) According to the information and explanations given to us, there are no dues of income tax, goods and service tax and cess which have not been deposited on account of any dispute. As informed, the provisions of service tax, wealth tax, sales tax, value added tax, excise duty and customs duty are not applicable to the Company.
- (viii) There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).
- (ix) (a) In our opinion and according to the information and explanations given by the management, the company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

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- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company has applied term loans for the purpose for which the loans were obtained.
- (d) The Company has not utilised fund raised on short term basis for long term purposes.
- (e) On an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) The Company has not raised any loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies and hence reporting on clause 3(ix)(f) of the Order is not applicable.
- (x) (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable.
- (b) The company has made private placement of shares as well as debentures and the requirement of section 42 of the Companies Act, 2013 have been complied with and according to information and explanations given to us, the amount raised have been used for the purposes for which the funds were raised.
- (xi) (a) No fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and upto the date of this report.
- (c) There were no whistle blower complaint received during the year and hence reporting under clause 3(xi)(c) of the Order is not applicable.
- (xii) The Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the standalone financial statements, as required by the applicable accounting standards.
- (xiv) (a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

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- (xvi) (a) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.
- (b) The company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (COR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) In our opinion, the Company is not a core investment company (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi) (c) and (d) of the Order is not applicable.
- (xvii) The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xviii) There has been no resignation of statutory auditors of the company during the year.
- (xix) On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.
- (b) There are no unspent amounts towards CSR on ongoing projects under sub-section (5) of Section 135 requiring transfer to special account in compliance with the provision of sub-section (6) of section 135 of the said Act. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year.

**For SGCO & CO. LLP**

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Firm Reg. No.: 112081W/W100184

  
**Suresh Murarka**

**Partner**

Mem. Number: 044739

UDIN: 23044739BGUNOX2293



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Date: 30/05/2023

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### ANNEXURE B

#### REFERRED TO IN PARAGRAPH 2 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of IKF Finance Limited ("the Company") as of March 31, 2023, in conjunction with our audit of the Standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Standalone financial statements.

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## Chartered Accountants

### Meaning of Internal Financial Controls Over Financial Reporting with reference to these Standalone financial statements

A company's internal financial control over financial reporting with reference to these Standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone financial statements for external purpose in accordance with generally accepted accounting principles. A company's Internal financial control over financial reporting with reference to these Standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transaction are recorded as necessary to permit preparation of Standalone financial statements in accordance with generally accepted accounting Principles, and that receipts and expenditure of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisitions, use or disposition of the company's assets that could have a material effect on the Standalone financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Standalone financial statements

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

### Opinion

In our opinion, the company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these Standalone financial statements and such internal financial controls over financial reporting with reference to these Standalone financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the guidance note on audit of Internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India.

### For SGCO & CO. LLP

Chartered Accountants

FRN :- 112081W/W100184

  
Suresh Murarka

Partner

Membership No. :- 044739

UDIN :- 23044739BGUNOX2293

Place :- Mumbai

Date :- 30/05/2023



4A, Kaledonia,  
2<sup>nd</sup> Floor, Sahar Road,  
Near Andheri Station,  
Andheri (East),  
Mumbai - 400 069

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Mumbai • Delhi

**IKF Finance Limited**
**Standalone Balance Sheet as at March 31, 2023**

(Currency : INR in lakhs)

| Particulars                                       | Note No | As at March 31, 2023 | As at March 31, 2022 |
|---|---------|----------------------|----------------------|
| <b>ASSETS</b>                                     |         |                      |                      |
| <b>(1) Financial assets</b>                       |         |                      |                      |
| (a) Cash and cash equivalents                     | 3       | 23,039.43            | 3,377.21             |
| (b) Bank Balance other than included in (a) above | 4       | 5,573.17             | 2,208.65             |
| (c) Loans   | 5       | 2,10,754.51          | 1,56,325.40          |
| (d) Investments                                   | 7       | 30,810.55            | 6,252.92             |
| (e) Other financial assets                        | 6       | 2,251.57             | 1,800.96             |
|   |         | <b>2,72,429.23</b>   | <b>1,69,965.14</b>   |
| <b>(2) Non-financial assets</b>                   |         |                      |                      |
| (a) Current Tax Assets (Net)                      |         | 372.98               | 183.04               |
| (b) Deferred Tax Assets (Net)                     | 28      | -                    | 70.34                |
| (c) Investment Property                           | 10      | 72.14                | 114.31               |
| (d) Property, Plant and Equipment                 | 9       | 250.23               | 260.11               |
| (e) Right of use asset                            | 9       | 270.26               | 10.75                |
| (f) Intangible assets                             | 11      | 156.38               | 154.42               |
| (g) Other non-financial assets                    | 8       | 2,878.41             | 1,067.42             |
|   |         | <b>4,000.41</b>      | <b>1,860.39</b>      |
| <b>Total assets</b>                               |         | <b>2,76,429.64</b>   | <b>1,71,825.53</b>   |
| <b>LIABILITIES AND EQUITY</b>                     |         |                      |                      |
| <b>LIABILITIES</b>                                |         |                      |                      |
| <b>(1) Financial liabilities</b>                  |         |                      |                      |
| (a) Debt securities                               | 12      | 18,838.54            | 15,186.47            |
| (b) Borrowings (other than debt securities)       | 13      | 1,68,496.32          | 1,09,462.84          |
| (c) Subordinated Liabilities                      | 14      | 16,345.06            | 6,003.45             |
| (d) Other financial liabilities                   | 15      | 2,921.34             | 2,030.13             |
|   |         | <b>2,06,601.26</b>   | <b>1,32,682.89</b>   |
| <b>(2) Non-financial liabilities</b>              |         |                      |                      |
| (a) Provisions                                    | 16      | 210.50               | 306.37               |
| (b) Deferred tax liabilities (Net)                | 28      | 188.82               | -                    |
| (c) Other non-financial liabilities               | 17      | 179.07               | 99.50                |
|   |         | <b>578.39</b>        | <b>405.87</b>        |
| <b>EQUITY</b>                                     |         |                      |                      |
| (a) Equity share capital                          | 18      | 6,457.51             | 5,265.91             |
| (b) Other equity                                  | 19      | 62,792.48            | 33,470.86            |
|   |         | <b>69,249.99</b>     | <b>38,736.77</b>     |
| <b>Total liabilities and equity</b>               |         | <b>2,76,429.64</b>   | <b>1,71,825.53</b>   |

2

Significant accounting policies and key accounting estimates and judgments

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date

For S G C O &amp; Co. LLP

Chartered Accountants

ICAI Firm registration number : 112081W/W100184

per Suresh Murarka

Partner

Membership No.044739

Place: Mumbai

Date: 30 May 2023



For and on behalf of the Board of Directors of

IKF Finance Limited

CIN: U65992AP1991PLC012736

V. S. K. Prasad

Chairman

DIN: 01817992

Ch. Sreenivasa Rao

Company Secretary &amp;

Chief Financial Officer

M.No. ACS14723

Place: Vijayawada

Date: 30 May 2023

Vasumathi Devi Koganti

Managing Director

DIN: 03161150



**IKF Finance Limited**
**Standalone Statement of Profit and Loss for the year ended March 31, 2023**

(Currency : INR in lakhs)

| Particulars  | Note No | Year ended March 31, 2023 | Year ended March 31, 2022 |
|--|---------|---------------------------|---------------------------|
| <b>Revenue From operations</b>   |         |                           |                           |
| (i) Interest income  | 20      | 28,401.52                 | 21,932.36                 |
| (ii) Fees and commission income  | 21      | 240.36                    | 160.21                    |
| <b>(I) Total revenue from operations</b>   |         | <b>28,641.88</b>          | <b>22,092.57</b>          |
| (II) Other income  | 22      | 17.80                     | 30.25                     |
| <b>(III) Total income (I + II)</b>   |         | <b>28,659.68</b>          | <b>22,122.82</b>          |
| <b>Expenses</b>  |         |                           |                           |
| (i) Finance costs  | 23      | 15,402.63                 | 11,787.65                 |
| (ii) Impairment on financial instruments   | 24      | 539.85                    | 511.78                    |
| (iii) Employee benefits expenses   | 25      | 4,297.44                  | 3,248.03                  |
| (iv) Depreciation, amortization and impairment   | 26      | 264.23                    | 128.96                    |
| (v) Others expenses  | 27      | 1,424.80                  | 1,019.11                  |
| <b>(IV) Total expenses</b>   |         | <b>21,928.95</b>          | <b>16,695.53</b>          |
| <b>(V) Profit before tax (III - IV)</b>  |         | <b>6,730.73</b>           | <b>5,427.29</b>           |
| <b>(VI) Tax Expense:</b>   |         |                           |                           |
| (1) Current Tax  | 28      | 1,461.47                  | 1,487.04                  |
| (2) Deferred Tax   | 28      | 255.84                    | (100.25)                  |
| (3) Adjustment of tax relating to earlier periods  | 28      | 12.91                     | 10.06                     |
|  |         | <b>1,730.22</b>           | <b>1,396.85</b>           |
| <b>(VII) Profit for the period (V-VI)</b>  |         | <b>5,000.51</b>           | <b>4,030.44</b>           |
| <b>(VIII) Other comprehensive income</b>   |         |                           |                           |
| <b>(A) Items that will not be reclassified to profit or loss (specify items and amounts)</b> |         |                           |                           |
| (a) Remeasurements of the defined benefit plans  | 29      | 13.18                     | 11.07                     |
| Income tax relating to items that will not be reclassified to profit or loss                 |         | (3.32)                    | (2.79)                    |
| <b>Other comprehensive income / (loss)</b>   |         | <b>9.86</b>               | <b>8.28</b>               |
| <b>(IX) Total comprehensive income for the period (VII + VIII)</b>                           |         | <b>5,010.37</b>           | <b>4,038.72</b>           |
| <b>(X) Earnings per share (equity share, par value of Rs.10 each)</b>                        |         |                           |                           |
| Basic  | 30      | 9.31                      | 7.80                      |
| Diluted  | 30      | 9.31                      | 7.80                      |

Significant accounting policies and key accounting estimates and judgments

2

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date

For S G C O &amp; Co. LLP

Chartered Accountants

ICAI Firm registration number : 112081W/W100184

per Suresh Murarka

Partner

Membership No.044739

Date: 30 May 2023

Place: Mumbai



For and on behalf of the Board of Directors of

IKF Finance Limited

CIN: U65992AP1991PLC012736

V. S. K. Prasad

Chairman

DIN: 01817992

Vasumathi Devi Koganti

Managing Director

DIN: 03161150

Ch. Sreenivasa Rao

Company Secretary &amp; Chief Financial Officer

M.No. ACS14723

Place: Vijayawada

Date: 30 May 2023

**IKF Finance Limited**
**Standalone Cash Flow statement for the year ended March 31, 2023**

(Currency : INR in lakhs)

| Particulars  | For the Year ended March 31, 2023 | For the Year ended March 31, 2022 |
|--|-----------------------------------|-----------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |                                   |                                   |
| Profit before tax  | 6,730.73                          | 5,427.28                          |
| <b>Adjustments for:</b>  |                                   |                                   |
| Depreciation, amortisation and impairment  | 264.23                            | 128.96                            |
| Interest income  | (28,401.52)                       | (21,932.36)                       |
| Interest expenses  | 15,402.63                         | 11,787.65                         |
| Impairment on financial instrument   | 539.85                            | 511.78                            |
| Share based payment expense  | (3.99)                            | (6.03)                            |
| Provision for expenses   | 2.25                              | 6.60                              |
| Employee benefit expenses  | (57.21)                           | 81.57                             |
| Rental income on Investment property   | (7.63)                            | (7.63)                            |
| (Profit)/ Loss on sale of property, plant and equipment  | 1.14                              | (0.07)                            |
| (Profit)/ Loss on sale of immovable Property   | 3.15                              | 6.10                              |
| <b>Cash generated from / (used in) operations before working capital changes and adjustments for interest received and interest paid</b> | <b>(5,526.37)</b>                 | <b>(3,996.15)</b>                 |
| <b>Adjustments for changes in Working Capital:</b>   |                                   |                                   |
| Decrease / (Increase) in trade receivable  | -                                 | 26.21                             |
| Decrease / (Increase) in loans   | (55,475.48)                       | (24,454.76)                       |
| Decrease / (Increase) in bank balances other than cash and cash equivalents  | (3,364.52)                        | 1,756.18                          |
| Decrease / (Increase) in other financial assets  | 12.05                             | 126.85                            |
| Decrease / (Increase) in other non-financial assets  | (1,810.98)                        | (685.42)                          |
| (Decrease) / Increase in other financial liabilities   | 622.18                            | (631.52)                          |
| (Decrease) / Increase in provisions  | (25.48)                           | (39.67)                           |
| (Decrease) / Increase in other non-financial liabilities   | 79.57                             | (12.59)                           |
| Interest received  | 27,454.85                         | 22,360.47                         |
| Interest paid  | (15,826.72)                       | (11,836.88)                       |
|  | <b>(53,860.90)</b>                | <b>(17,387.28)</b>                |
| Income tax paid (net of refunds)   | (1,664.32)                        | (1,462.20)                        |
| Deferred tax adjustment  | 0.00                              | 0.00                              |
| <b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>  | <b>(55,525.22)</b>                | <b>(18,849.48)</b>                |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |                                   |                                   |
| Purchase of property, plant and equipment  | (67.99)                           | (86.52)                           |
| Purchase of Investment property  | 0.00                              | (224.11)                          |
| Rental income on Investment property   | 7.63                              | 7.63                              |
| Proceeds from sale of property, plant and equipment  | 0.82                              | 0.08                              |
| Proceeds from sale of Investment property  | 38.85                             | 110.00                            |
| Purchase of intangible assets  | (50.25)                           | (27.55)                           |
| Purchase of investments measured at Amortised cost and FVTPL   | (24,557.63)                       | (1,727.82)                        |
| <b>NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES</b>  | <b>(24,628.57)</b>                | <b>(1,948.29)</b>                 |
| <b>CASH FROM FINANCING ACTIVITIES</b>  |                                   |                                   |
| Proceeds from issue of equity shares (including securities premium)  | 25,506.83                         | 714.39                            |
| Amount received from debt securities   | 7,000.00                          | 8,000.00                          |
| Repayment of debt securities   | (3,400.00)                        | (25,950.00)                       |
| Amount received from borrowings other than debt securities   | 1,09,340.00                       | 56,500.00                         |
| Repayment of borrowings other than debt securities   | (48,983.70)                       | (26,861.44)                       |
| Amount received from subordinated Liabilities  | 14,000.00                         | -                                 |
| Repayment of subordinated debt   | (3,500.00)                        | -                                 |
| Payment of principal portion of lease liabilities  | (113.49)                          | (19.13)                           |
| Payment of interest on lease liabilities   | (33.63)                           | (2.12)                            |
| <b>NET CASH GENERATED FROM / (USED IN) FROM FINANCING ACTIVITIES</b>   | <b>99,816.01</b>                  | <b>12,381.70</b>                  |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>  | <b>19,662.22</b>                  | <b>(8,416.07)</b>                 |
| Cash and Cash Equivalents at the beginning of Year   | 3,377.21                          | 11,793.28                         |
| Cash and Cash Equivalents at the end of the Year   | 23,039.43                         | 3,377.21                          |

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

As per our report of even date

For S G C O & Co. LLP  
Chartered Accountants  
ICAI Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.044739

Date: 30 May 2023

Place: Mumbai

For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP19NPIC012736

V. G. K. Prasad  
Chairman  
DIN: 01877992

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

Ch. Sreenivasa Rao  
Company Secretary & Chief  
Financial Officer  
M.No. AC514723  
Place: Vijayawada  
Date: 30 May 2023

**IKF Finance Limited**
**Statement of Changes in Equity for the year ended March 31, 2023**

(Currency : INR in lakhs)

**A. Equity share capital**
**Current Reporting Period**

| Particulars   | Balance at the beginning of the current reporting period<br>As at March 31, 2022 | Changes in Equity Share Capital due to prior period errors | Restated balance at the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period<br>As at March 31, 2023 |
|---|--|--|---|---|--|
| Issued, Subscribed and paid up - fully paid<br>(Equity shares of Rs.10 each, Fully paid-up) | 5,265.91   | -  | 5,265.91  | 1,191.60  | 6,457.51   |
| Issued, Subscribed and paid up - partly paid  | 0.00   | -  | 0.00  | -   | 0.00   |

**Previous Reporting Period**

| Particulars   | Balance at the beginning of the current reporting period<br>As at March 31, 2021 | Changes in Equity Share Capital due to prior period errors | Restated balance at the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period<br>As at March 31, 2022 |
|---|--|--|---|---|--|
| Issued, Subscribed and paid up - fully paid<br>(Equity shares of Rs.10 each, Fully paid-up) | 4,747.94   | -  | 4,747.94  | 517.97  | 5,265.91   |
| Issued, Subscribed and paid up - partly paid  | 419.55   | -  | 419.55  | (419.55)  | 0.00   |

**B. Other equity**

| Particulars  | Reserves and Surplus |                 |                    |                 |                             |                   | Total     |
|--|----------------------|-----------------|--------------------|-----------------|-----------------------------|-------------------|-----------|
|  | Statutory Reserve    | Capital Reserve | Securities Premium | General Reserve | Share based payment Reserve | Retained Earnings |           |
| Balance at April 01, 2021                            | 4,187.40             | 32.50           | 9,960.39           | 1,019.93        | 30.65                       | 13,591.30         | 28,822.19 |
| Changes in Accounting Policies / Prior Period Errors | -                    | -               | -                  | -               | -                           | -                 | -         |
| Restated balance as at April 01, 2021                | 4,187.40             | 32.50           | 9,960.39           | 1,019.93        | 30.65                       | 13,591.30         | 28,822.18 |
| Profit for the year                                  | -                    | -               | -                  | -               | -                           | 4,030.44          | 4,030.44  |
| Other comprehensive income for the year              | -                    | -               | -                  | -               | -                           | 8.28              | 8.28      |
| Total comprehensive income for the year (net of tax) | -                    | -               | -                  | -               | -                           | 4,038.72          | 4,038.72  |
| Transfer to Statutory Reserve                        | 806.09               | -               | -                  | -               | -                           | (806.09)          | -         |
| Transfer to General Reserve                          | -                    | -               | -                  | 201.52          | -                           | (201.52)          | -         |
| Issue of equity shares                               | -                    | -               | 615.97             | -               | -                           | -                 | 615.97    |
| Share based payment expense                          | -                    | -               | -                  | -               | (6.03)                      | -                 | (6.03)    |
| Balance at March 31, 2022                            | 4,993.49             | 32.50           | 10,576.37          | 1,221.45        | 24.62                       | 16,622.41         | 33,470.84 |
| Changes in Accounting Policies / Prior Period Errors | -                    | -               | -                  | -               | -                           | -                 | -         |
| Restated balance as at April 01, 2022                | 4,993.49             | 32.50           | 10,576.37          | 1,221.45        | 24.62                       | 16,622.43         | 33,470.86 |
| Profit for the year                                  | -                    | -               | -                  | -               | -                           | 5,000.51          | 5,000.51  |
| Other comprehensive income for the year              | -                    | -               | -                  | -               | -                           | 9.86              | 9.86      |
| Total comprehensive income for the year (net of tax) | -                    | -               | -                  | -               | -                           | 5,010.37          | 5,010.37  |
| Transfer to Statutory Reserve                        | 1,000.10             | -               | -                  | -               | -                           | (1,000.10)        | -         |
| Transfer to General Reserve                          | -                    | -               | -                  | 250.03          | -                           | (250.03)          | -         |
| Issue of equity shares                               | -                    | -               | 24,315.23          | -               | -                           | -                 | 24,315.23 |
| Share based payment expense                          | -                    | -               | -                  | -               | (3.99)                      | -                 | (3.99)    |
| Balance at March 31, 2023                            | 5,993.59             | 32.50           | 34,891.60          | 1,471.48        | 20.63                       | 20,382.67         | 62,792.48 |

As per our report of even date

For S G C O &amp; Co. LLP

Chartered Accountants

ICAI Firm registration number : 112081W/W100184

per Suresh Murarka

Partner

Membership No.044739

For and on behalf of the Board of Directors of

IKF Finance Limited

CIN: U65992AP1991PLC012736

V. G. K. Prasad

Chairman

DIN: 01817992

Vasumathi Devi Koganti

Managing Director

DIN: 03161150

Ch. Sreenivasa Rao

Company Secretary &amp; Chief Financial Officer

M.No. ACS14723

Date: 30 May 2023

Place: Mumbai

Place: Vijayawada

Date: 30 May 2023





## **IKF Finance Limited**

### **Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

## **1 Company Overview**

IKF Finance Limited ('the Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and classified as a Non-Banking Financial Company- Asset Finance Company ('NBFC-AFC') with effect from May 12, 2014. The Company provides finance for commercial vehicles, construction equipment and other loans.

## **2 Significant Accounting Policies**

### **2.1 Basis of preparation**

The financial statements for the year ended March 31, 2023 have been prepared by the Company in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from time to time, in this regard. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/ applicable.

### **2.2 Presentation of Financial Statements**

The financial statement of the company are presented as per Division III of the Schedule III to the Companies Act 2013 as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind-AS. The Statement of Cash Flows has been presented as per the requirements of Ind-AS 7 Statement of Cash Flows. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 33 – Maturity analysis of assets and liabilities.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Company and/or its counterparties

### **2.3 Basis of Measurement**

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments, plan assets of defined benefit plans and share based payment plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR Lakhs in compliance with Schedule III of the Act, unless otherwise stated.



## **2.4 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Key sources of estimation of uncertainty at the date of financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

### **a. Business model assessment**

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### **b. Effective Interest Rate (EIR) method**

The Company recognizes interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loans given / taken.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and lifecycle of the instruments, as well as expected changes to other fee income/expense that are integral parts of the instrument.

### **c. Impairment of loans portfolio**

The measurement of impairment losses on loan assets requires judgement, in estimating the amount and timing of future cash flows and recoverability of collateral values while determining the impairment losses and assessing a significant increase in credit risk.

The Company's Expected Credit Loss (ECL) calculation is the output of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- PD calculation includes historical data, benchmarking, assumptions and expectations of future conditions.
  - The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life-time expected credit loss and the qualitative assessment.
  - The segmentation of financial assets when their ECL is assessed on a collective basis.
  - Development of ECL models, including the various formulas and the choice of inputs.
- It is the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The impairment loss on loans and advances is disclosed in more detail in Note 5-Loans and Note 41- Risk Management.

**d. Defined employee benefit assets and liabilities**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**e. Fair value measurement:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**f. Operating leases****Company as a lessee:**

The Company has applied Ind AS 116 using the partial retrospective approach.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

**Right of use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

**Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short term lease**

The Company has elected not to recognise right of use asset and lease liabilities for short term leases of property that has lease term of 12 months or less. The Company recognises lease payment associated with these leases as an expense on a straight line basis over lease term.

**g. Share based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**2.5 Revenue recognition****a. Interest Income on loans**

Interest income is recorded using effective interest rate (EIR) method for all financial assets measured at amortised cost.





**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

EIR is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset except for credit impaired asset.

The calculation of the effective interest rate includes transaction costs and fees (loan processing fees, commission paid to direct selling agents and other premiums or discounts) that are an integral part of the contract. Transaction costs include incremental costs that are directly attributable to the acquisition of financial asset.

**b. Rental Income**

Rental income arising from operating leases is recognised on a straight-line basis over the lease term. In cases where the increase is in line with expected general inflation rental income is recognised as per the contractual terms.

Operating leases are leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset.

**c. Interest income on fixed deposits**

Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate.

**d. Other income**

Other charges including application fees (penal interest, cheque bouncing charges, etc.) are recognised on realization basis.

**2.6 Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at transaction price, which equates fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

A financial asset and a financial liability are offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.



**IKF Finance Limited**

**Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

**a. Classification and measurement of Financial assets**

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Company classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest rate (EIR) if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company records loans at amortised cost.

Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income and interest income which is recognised in statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.



**IKF Finance Limited**

**Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

**b. Financial Liabilities**

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss. Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

**c. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

**d. Reclassification**

Financial assets and liabilities are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets.

**e. De-recognition of financial assets and financial liabilities**

**i. Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- i. The Company has transferred its contractual rights to receive cash flows from the financial asset, or



**IKF Finance Limited**

**Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

- ii. It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- i. The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- ii. The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- iii. The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- i. The Company has transferred substantially all the risks and rewards of the asset, or
- ii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**ii. Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.





**f. Impairment of Financial Assets**

The Company recognises impairment allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

The ECL provision is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.

The Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorises its loans into three stages as described below:

For non-impaired financial instruments

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk (SICR) since initial recognition. A 12-month ECL provision is made for stage 1 financial instruments. In assessing whether credit risk has increased significantly, the Company compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Company recognises lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

For impaired financial instruments:

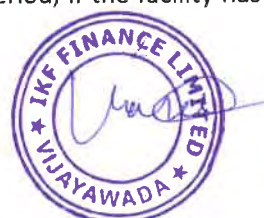
Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company recognises lifetime ECL for impaired financial instruments.

**The calculation of ECLs**

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

**Probability of Default (PD) -**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

previously derecognized and is still in the portfolio. The concept of PD is further explained in Note 41- Risk Management.

**Exposure at Default** - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**Loss Given Default** – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

**Collateral Valuation**

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as movable and immovable assets, guarantees, etc. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using other methodologies. Non-financial collateral, such as vehicles, is valued based on data provided by third parties or management judgements.

**Collateral repossessed**

In its normal course of business whenever default occurs, the Company may take possession of properties or other assets in its retail portfolio and generally disposes such assets through auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, assets under legal repossession processes are not recorded on the balance sheet.

**Write-offs**

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when it is determined that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

**g. Determination of fair value**

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments (as explained in Note 40- Fair Value Measurement) at fair value on each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:



## **IKF Finance Limited**

### **Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

**Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

**Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

**Level 3 financial instruments** - Those that include one or more unobservable input that is significant to the measurement as whole.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. No such instances of transfers between levels of the fair value hierarchy were recorded during the reporting period.

## **2.7 Property, plant and equipment**

Property, plant and equipment are carried at cost of acquisition less accumulated depreciation and accumulated impairment loss (if any). The total cost of the asset comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs



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(All amount in Rs. Lakhs, unless otherwise stated)

directly attributable to acquisition of those assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Advances paid towards the acquisition of assets outstanding at each balance sheet date are disclosed as other non-financial assets. The cost of assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

Depreciation is provided on a straight-line method, over the estimated useful life of each asset as prescribed in Schedule II of the Companies Act, 2013 as follows:

| Asset                          | Useful Life |
|--------------------------------|-------------|
| Building (Investment Property) | 60 years    |
| Office Equipment               | 5 years     |
| Furniture and Fixture          | 10 years    |
| Computers                      | 3 years     |
| Vehicles (Car, Lorry, Bus)     | 8 years     |
| Vehicles (Bike, Moped, Cycle)  | 10 years    |
| Servers                        | 6 years     |

An item of property, plant and equipment, is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**2.8 Intangible assets**

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Cost comprise the purchase price and any attributable cost of bringing the asset to its working condition for its intended use

Intangible assets are amortised on a straight line basis over their estimated useful life.

The estimated useful life of intangible assets are as follows:

| Asset    | Useful Life |
|----------|-------------|
| Software | 6 years     |

**2.9 Investment in Subsidiaries**

Ind AS 101 permits a first time adopter to measure its investment, at the date of transition, at cost determined in accordance with Ind AS 27, or deemed cost. The deemed cost of such investment shall be its fair value at the Company's date of transition to Ind AS, or Previous





**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

GAAP carrying amount at that date. The Company has elected to measure its investment in subsidiary at the Previous GAAP carrying amount as its deemed cost on the transition date.

**2.10 Impairment of non-financial assets**

Assessment is done at each balance sheet date as to whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit (CGU). An asset or CGU whose carrying value exceeds its recoverable amount is considered impaired and is written down to its recoverable amount. Assessment is also done at each balance sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting years may no longer exist or may have decreased.

**2.11 Employee benefits****Defined Contribution Plan:**

The Company has a defined contribution plan for post-employment benefits in the form of Provident Fund. Under the Provident Fund Plan, the Company contributes to a Government administered provident fund / recognized provident fund on behalf of the employees. The Company has no further obligation beyond making the contributions.

The Company's contributions to the above Plan are charged to the Statement of Profit and Loss.

**Defined Benefit Plan:**

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service as required under 'The Payment of Gratuity Act, 1972'. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Other Employee Benefits:**

The employees of the Company are entitled to compensated absence and deferred compensation as per the policy of the Company, the liability in respect of which is provided, based on an actuarial valuation carried out by an independent actuary as at the year end. The actuarial valuation method used by the independent actuary for measuring the liability is the Projected Unit Credit Method.

Actuarial gains and losses comprise experience adjustments and the effects of changes in the actuarial assumptions are recognized immediately in the Statement of Profit and Loss in the year in which they arise.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. Unutilised leave balance that accrues to employees as at the year end is charged to the Statement of Profit and Loss on an undiscounted basis.

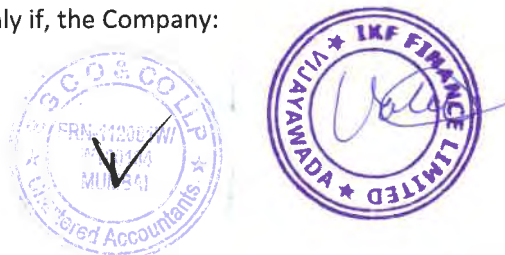
**2.12 Income Taxes**

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity or in OCI.

*(a) Current tax*

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax assets and liabilities are offset only if, the Company:



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*(b) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company:

- has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

**2.13 Provision and contingencies**

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract.



**IKF Finance Limited****Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

**2.14 Earnings per share**

The Company reports basic and diluted earnings per share in accordance with Indian Accounting Standard 33 – “Earnings Per Share”. Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders for the year by weighted average number of equity shares considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all potential equity shares.

**2.15 Cash and cash equivalent**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

**2.16 Statement of cash flows**

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

**2.17 Share based payments**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in





**IKF Finance Limited**

**Notes to the financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

**2.18 Statutory Reserve**

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty per cent of its net profit every year as disclosed in the Statement of Profit and loss before any dividend is declared.



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**3 Cash and cash equivalents**

| Particulars                             | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Cash on hand                            | 221.31                  | 96.00                   |
| Balances with banks in current accounts | 22,818.12               | 3,281.21                |
| <b>Total</b>                            | <b>23,039.43</b>        | <b>3,377.21</b>         |

Increase of cash and cash equivalents is on account of equity raised during the end of the financial year

**4 Bank balance other than cash and cash equivalents**

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Balances with banks to the extent held as margin money* | 5,573.17                | 2,208.65                |
| <b>Total</b>  | <b>5,573.17</b>         | <b>2,208.65</b>         |

\*Represent margin money deposits placed to avail term loans from banks, financial institutions and as cash collateral in connection with securitisation transactions.

**5 Loans (at Amortised Cost)**

| Particulars                                     | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| (i) Term loans                                  | 2,13,644.56             | 1,59,308.77             |
| (ii) term loans - related parties               | 0.00                    | -                       |
| (iii) Staff loans                               | 83.39                   | 35.04                   |
| <b>Total</b>                                    | <b>2,13,727.95</b>      | <b>1,59,343.81</b>      |
| Less: Impairment loss allowance                 | 2,973.44                | 3,018.42                |
| <b>Total - Net of impairment loss allowance</b> | <b>2,10,754.51</b>      | <b>1,56,325.40</b>      |
| (i) Secured by tangible assets*                 | 2,13,644.56             | 1,59,308.77             |
| (i) Secured by intangible assets                | -                       | -                       |
| (ii) Covered by Bank/ Government Guarantees     | -                       | -                       |
| (iii) Unsecured                                 | 83.39                   | 35.04                   |
| <b>Total</b>                                    | <b>2,13,727.95</b>      | <b>1,59,343.81</b>      |
| Less: Impairment loss allowance                 | 2,973.44                | 3,018.42                |
| <b>Total - Net of impairment loss allowance</b> | <b>2,10,754.51</b>      | <b>1,56,325.40</b>      |
| (i) Public sectors                              | -                       | -                       |
| (ii) Others                                     | 2,13,727.95             | 1,59,343.81             |
| <b>Total</b>                                    | <b>2,13,727.95</b>      | <b>1,59,343.81</b>      |
| Less: Impairment loss allowance                 | 2,973.44                | 3,018.42                |
| <b>Total - Net of impairment loss allowance</b> | <b>2,10,754.51</b>      | <b>1,56,325.40</b>      |
| (i) Loans in India                              | 2,13,727.95             | 1,59,343.81             |
| (ii) Loans outside India                        | -                       | -                       |
| <b>Total</b>                                    | <b>2,13,727.95</b>      | <b>1,59,343.81</b>      |
| Less: Impairment loss allowance                 | 2,973.44                | 3,018.42                |
| <b>Total - Net of impairment loss allowance</b> | <b>2,10,754.51</b>      | <b>1,56,325.40</b>      |

\*Secured against hypothecation of automobiles, book debts, equitable mortgage of immovable property etc.

5.1 The table below discloses credit quality and the maximum exposure to credit risk based on the company's year end stage classification. The numbers presented are gross of impairment loss allowance:

| Particulars       | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|-------------------|-------------------------|-------------------------|
| <b>Term loans</b> |                         |                         |
| Stage I           | 1,69,430.51             | 1,29,809.42             |
| Stage II          | 38,155.73               | 25,161.20               |
| Stage III         | 6,058.32                | 4,338.15                |
| <b>Total</b>      | <b>2,13,644.56</b>      | <b>1,59,308.77</b>      |



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**5.2 Gross movement of loans for the year ended March 31, 2023:-**

| Particulars  | Stage I     | Stage II    | Stage III  | Total       |
|--|-------------|-------------|------------|-------------|
| <b>Gross carrying amount as at April 1, 2022</b>     |             |             |            |             |
| Term loans   | 1,29,809.42 | 25,161.20   | 4,338.15   | 1,59,308.77 |
| Staff loans  | 35.04       | -           | -          | 35.04       |
| New loans originated during the year                 |             |             |            |             |
| Term loans   | 1,18,581.75 | 7,959.69    | 729.63     | 1,27,271.07 |
| Staff loans  | 48.80       | -           | -          | 48.80       |
| Inter-stage movements:                               |             |             |            |             |
| -Term loans  |             |             |            |             |
| Transfers to Stage 1                                 | 1,555.80    | (1,542.59)  | (13.21)    | -           |
| Transfers to Stage 2                                 | (21,396.99) | 21,423.38   | (26.39)    | -           |
| Transfers to Stage 3                                 | (1,577.21)  | (1,524.33)  | 3,101.54   | -           |
| Interest on stage 3 loans                            | -           | -           | 69.56      | 69.56       |
| Amounts written off                                  |             |             |            |             |
| Term loans   | (123.40)    | (27.92)     | (343.48)   | (494.81)    |
| Staff loans  | -           | -           | -          | -           |
| Assets derecognised or repaid (excluding write offs) |             |             |            |             |
| Term loans   | (57,418.86) | (13,293.70) | (1,797.48) | (72,510.03) |
| Staff loans  | (0.45)      | -           | -          | (0.45)      |
| <b>Gross carrying amount as at March 31, 2023</b>    |             |             |            |             |
| Term loans   | 1,69,430.51 | 38,155.74   | 6,058.32   | 2,13,644.56 |
| Staff loans  | 83.39       | -           | -          | 83.39       |

**5.3 Gross movement of loans for the year ended March 31, 2022:-**

| Particulars  | Stage I     | Stage II    | Stage III  | Total       |
|--|-------------|-------------|------------|-------------|
| <b>Gross carrying amount as at April 1, 2021</b>     |             |             |            |             |
| Term loans   | 82,084.22   | 56,993.86   | 4,275.96   | 1,43,354.04 |
| Staff loans  | 49.69       | -           | -          | 49.69       |
| New loans originated during the year                 |             |             |            |             |
| Term loans   | 80,082.60   | 2,782.07    | 104.43     | 82,969.10   |
| Staff loans  | 6.35        | -           | -          | -           |
| Inter-stage movements:                               |             |             |            |             |
| -Term loans  |             |             |            |             |
| Transfers to Stage 1                                 | 17,315.85   | (17,251.52) | (64.34)    | -           |
| Transfers to Stage 2                                 | (8,774.35)  | 8,849.51    | (75.16)    | -           |
| Transfers to Stage 3                                 | (527.83)    | (1,672.81)  | 2,200.63   | -           |
| Interest on stage 3 loans                            | -           | -           | 84.13      | 84.13       |
| Amounts written off                                  |             |             |            |             |
| Term loans   | (48.00)     | (103.66)    | (584.28)   | (735.94)    |
| Staff loans  | -           | -           | -          | -           |
| Assets derecognised or repaid (excluding write offs) |             |             |            |             |
| Term loans   | (40,323.07) | (24,436.26) | (1,603.23) | (66,362.56) |
| Staff loans  | (14.65)     | -           | -          | (14.65)     |
| <b>Gross carrying amount as at March 31, 2022</b>    |             |             |            |             |
| Term loans   | 1,29,809.42 | 25,161.20   | 4,338.15   | 1,59,308.77 |
| Staff loans  | 35.04       | -           | -          | 35.04       |

**5.4 ECL movement of term loans during the year ended March 31, 2023:-**

| Particulars   | Stage I  | Stage II | Stage III | Total    |
|---|----------|----------|-----------|----------|
| <b>Gross carrying amount as at April 1, 2022</b>        | 989.64   | 563.47   | 1,465.31  | 3,018.42 |
| New loans originated during the year                    | 709.16   | 140.40   | 87.58     | 937.14   |
| Inter-stage movements:                                  |          |          |           |          |
| Transfers to Stage 1                                    | 45.96    | (42.41)  | (3.55)    | -        |
| Transfers to Stage 2                                    | (276.13) | 294.27   | (18.14)   | -        |
| Transfers to Stage 3                                    | (18.96)  | (53.80)  | 72.76     | -        |
| Amounts written off                                     | (4.80)   | (4.38)   | (320.19)  | (329.36) |
| Assets derecognised or repaid (excluding write offs)    | (130.05) | (150.56) | (321.64)  | (602.25) |
| Net Remeasurement of ECL arising from transfer of stage | (341.49) | (35.09)  | 326.07    | (50.50)  |
| <b>Gross carrying amount as at March 31, 2023</b>       | 973.33   | 711.90   | 1,288.21  | 2,973.44 |

**5.5 ECL movement of term loans during the year ended March 31, 2022:-**

| Particulars   | Stage I  | Stage II | Stage III | Total    |
|---|----------|----------|-----------|----------|
| <b>Gross carrying amount as at April 1, 2021</b>        | 678.70   | 1,355.87 | 1,208.00  | 3,672.10 |
| New loans originated during the year                    | 648.57   | 68.49    | 39.11     | 756.16   |
| Inter-stage movements:                                  |          |          |           |          |
| Transfers to Stage 1                                    | 654.22   | (623.13) | (31.09)   | -        |
| Transfers to Stage 2                                    | (100.45) | 140.51   | (40.06)   | -        |
| Transfers to Stage 3                                    | (5.99)   | (50.47)  | 56.46     | -        |
| Amounts written off                                     | (1.49)   | (14.10)  | (395.79)  | (411.38) |
| Assets derecognised or repaid (excluding write offs)    | (130.09) | (190.49) | (194.01)  | (514.59) |
| Net Remeasurement of ECL arising from transfer of stage | (753.83) | (123.21) | 822.67    | (54.36)  |
| <b>Gross carrying amount as at March 31, 2022</b>       | 989.64   | 563.47   | 1,465.31  | 3,018.42 |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**6 Other Financial Assets**

| Particulars                              | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Rent and utility deposit                 | 239.69                  | 217.70                  |
| Excess Interest Spread (EIS) Receivables | 1,926.33                | 1,450.27                |
| Other -unsecured, considered good        | 85.55                   | 132.99                  |
| <b>Total</b>                             | <b>2,251.57</b>         | <b>1,800.96</b>         |

**7 Investments**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>Investment in Equity Instruments</b>  |                         |                         |
| - Subsidiary (at cost)   |                         |                         |
| IKF Home finance limited*  | 10,762.73               | 6,252.92                |
| (March 31, 2023: 5,74,04,177 Equity shares of Rs 10 each fully paid ; March 31, 2022: 3,76,14,747 Equity shares of Rs. 10 each, fully paid & 1,97,89,430 Equity shares of Rs. 2.77, partly paid) |                         |                         |
| <b>Investment in Market Linked Debentures(at Fair Value through Profit or loss)</b>  | 15,960.75               | -                       |
| <b>Investment in Debentures(at Amortised cost)</b>   | 4,087.07                | -                       |
| <b>Total (A)</b>   | <b>30,810.55</b>        | <b>6,252.92</b>         |
| (i) Investments in India   | 30,810.55               | 6,252.92                |
| (ii) Investments outside India   | -                       | -                       |
| <b>Total (B)</b>   | <b>30,810.55</b>        | <b>6,252.92</b>         |

**8 Other Non-Financial Assets**

| Particulars                            | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Prepaid expenses                       | 354.73                  | 161.05                  |
| Advances to employees                  | 0.27                    | 2.39                    |
| GST input credit                       | 523.41                  | 403.98                  |
| Advance given for purchase of property | 2,000.00                | 500.00                  |
| <b>Total</b>                           | <b>2,878.41</b>         | <b>1,067.42</b>         |





**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**9 Property, plant and equipment**

| Particulars                                     | Furniture and Fixtures | Computer & Printer | Office equipment | Vehicles     | Total         | Right to Use Assets |
|---|------------------------|--------------------|------------------|--------------|---------------|---------------------|
| <b>Gross carrying amount</b>                    |                        |                    |                  |              |               |                     |
| As at March 31, 2021                            | 270.52                 | 81.96              | 11.16            | 75.51        | 439.16        | 130.15              |
| Additions                                       | 28.52                  | 58.05              | -                | -            | 86.57         | 4.92                |
| Disposals                                       |                        | (0.25)             | -                | -            | (0.25)        | (1.67)              |
| <b>As at March 31, 2022</b>                     | <b>299.04</b>          | <b>139.76</b>      | <b>11.16</b>     | <b>75.51</b> | <b>525.48</b> | <b>133.39</b>       |
| Additions                                       | 6.35                   | 55.80              | 5.84             | -            | 67.99         | 399.37              |
| Disposals                                       | (2.47)                 | (27.70)            | (0.54)           | -            | (30.71)       | (13.97)             |
| <b>As at March 31, 2023</b>                     | <b>302.92</b>          | <b>167.86</b>      | <b>16.46</b>     | <b>75.51</b> | <b>562.76</b> | <b>518.79</b>       |
| <b>Accumulated depreciation and impairment:</b> |                        |                    |                  |              |               |                     |
| As at March 31, 2021                            | 96.45                  | 61.20              | 5.44             | 35.56        | 198.64        | 105.39              |
| Depreciation for the year                       | 36.50                  | 17.68              | 1.76             | 11.00        | 66.93         | 18.17               |
| Disposals                                       | -                      | (0.20)             | -                | -            | (0.20)        | (0.93)              |
| <b>As at March 31, 2022</b>                     | <b>132.95</b>          | <b>78.68</b>       | <b>7.20</b>      | <b>46.56</b> | <b>265.37</b> | <b>122.64</b>       |
| Depreciation for the year                       | 33.60                  | 29.55              | 2.24             | 10.52        | 75.91         | 139.86              |
| Disposals                                       | (1.96)                 | (26.31)            | (0.48)           | - .00        | (28.75)       | (13.97)             |
| <b>As at March 31, 2023</b>                     | <b>164.59</b>          | <b>81.92</b>       | <b>8.96</b>      | <b>57.08</b> | <b>312.53</b> | <b>248.53</b>       |
| <b>Net book value</b>                           |                        |                    |                  |              |               |                     |
| As at March 31, 2021                            | 174.07                 | 20.76              | 5.72             | 39.95        | 240.52        | 24.77               |
| As at March 31, 2022                            | 166.09                 | 61.09              | 3.97             | 28.94        | 260.11        | 10.75               |
| As at March 31, 2023                            | 138.33                 | 85.94              | 7.50             | 18.43        | 250.23        | 270.26              |

Note: The Company has not revalued any of its property, plant and equipment during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 10 Investment Property

| Particulars                  | Buildings | Land     | Total    |
|------------------------------|-----------|----------|----------|
| <b>Gross carrying amount</b> |           |          |          |
| As at March 31, 2021         | 6.98      |          | 6.98     |
| Additions                    | -         | 224.11   | 224.11   |
| Disposals                    | -         | (116.10) | (116.10) |
| As at March 31, 2022         | 6.98      | 108.01   | 114.99   |
| Additions                    | -         | -        | -        |
| Disposals                    | -         | (42.00)  | (42.00)  |
| As at March 31, 2023         | 6.98      | 66.01    | 72.99    |
| <b>As at March 31, 2021</b>  | 0.51      | -        | 0.51     |
| Depreciation for the year    | 0.17      | -        | 0.17     |
| Disposals                    | -         | -        | -        |
| As at March 31, 2022         | 0.68      | -        | 0.68     |
| Depreciation for the year    | 0.17      | -        | 0.17     |
| Disposals                    | -         | -        | -        |
| As at March 31, 2023         | 0.85      | -        | 0.85     |
| <b>Net book value</b>        |           |          |          |
| As at March 31, 2021         | 6.47      | -        | 6.47     |
| As at March 31, 2022         | 6.30      | 108.01   | 114.31   |
| As at March 31, 2023         | 6.13      | 66.01    | 72.14    |

#### (i) Amounts recognised in Statement of Profit and Loss for Investment Property

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31,<br>2022 |
|---|------------------------------|---------------------------------|
| Rental Income   | 7.63                         | 7.63                            |
| Direct operating expense from property that generated rental income | -                            | -                               |
| <b>Profit from investment properties before depreciation</b>        | <b>7.63</b>                  | <b>7.63</b>                     |
| Depreciation  | 0.17                         | 0.17                            |
| <b>Profit from investment properties</b>                            | <b>7.46</b>                  | <b>7.46</b>                     |

#### (ii) Contractual obligations

The Company has no contractual obligations to purchase, construct or develop investment property. However, the responsibility for its repairs, maintenance or enhancements is with the Company.

#### (iii) Fair value

The fair valuation of investment property as at March 31, 2023 is INR 394.18 lakhs (PY: INR 389.65 lakhs)

#### (iv) Pledged details

Building is pledged in favor of consortium leader central bank for cash credit facility.

#### (v) Estimation of fair value

The fair values of investment property is determined by guidance value given by the local government of the area where the investment properties are located.

#### (vi) Revaluation

The Company has not revalued any of its investment property during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**11 Intangible assets**

| Particulars                                    | Computer software |
|--|-------------------|
| <b>Gross carrying amount</b>                   |                   |
| As at March 31, 2021                           | 270.24            |
| Additions                                      | 27.54             |
| Disposal                                       | -                 |
| As at March 31, 2022                           | 297.78            |
| Additions                                      | 50.25             |
| Disposal                                       | -                 |
| As at March 31, 2023                           | 348.03            |
| <b>Accumulated amortisation and impairment</b> |                   |
| As at March 31, 2021                           | 99.67             |
| Amortisation for the year                      | 43.70             |
| Disposal                                       | -                 |
| As at March 31, 2022                           | 143.37            |
| Amortisation for the year                      | 48.29             |
| Disposal                                       | -                 |
| As at March 31, 2023                           | 191.65            |
| <b>Net book value</b>                          |                   |
| As at March 31, 2021                           | 170.57            |
| As at March 31, 2022                           | 154.42            |
| As at March 31, 2023                           | 156.38            |

Note: The Company has not revalued any of its intangible assets during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**12 Debt Securities**

| Particulars                      | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|----------------------------------|-------------------------|-------------------------|
| <b>At amortised cost</b>         |                         |                         |
| Secured                          |                         |                         |
| Non convertible debentures       | 10,125.66               | 11,369.58               |
| Unsecured                        |                         |                         |
| Other non convertible debentures | 8,712.88                | 3,816.89                |
| <b>Total</b>                     | <b>18,838.54</b>        | <b>15,186.47</b>        |
| <b>Debt Securities:</b>          |                         |                         |
| Within India                     | 18,838.54               | 15,186.47               |
| Outside India                    | -                       | -                       |
| <b>Total</b>                     | <b>18,838.54</b>        | <b>15,186.47</b>        |

**Nature of security**
**Non convertible debentures (secured)**

Non convertible debentures are secured by an exclusive charge by way of hypothecation of specific loan receivable created out of the loan proceeds and mortgage of personal properties of directors in addition to their personal guarantees.

The Company has utilised the funds raised from banks and financial institutions for the specific purpose for which they were borrowed.

The Company has borrowed funds from banks and financial institutions on the basis of security of current assets. It has filed quarterly returns or statements of current assets with banks and financial institutions and the said returns/statements are in agreement with books of accounts.

**Terms of repayment of Debt securities as on March 31, 2023**

Terms of repayment of Debt securities as on March 31, 2023

| Original maturity loan             | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|------------------------------------|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
|                                    |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule         |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Quarterly repayment schedule       |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 9.01%-10.00%  | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 10.01%-11.00% | 4                   | 3,500.00          | 4                        | 3,500.00          | -                     | -                 | 7,000.00  |
|                                    | 11.01%-12.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 12.01%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Bullet repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | 8.51%-9.50%   | 1                   | 5,000.00          | -                        | -                 | -                     | -                 | 5,000.00  |
|                                    | 9.51%-10.50%  | 2                   | 6,500.00          | -                        | -                 | -                     | -                 | 6,500.00  |
|                                    | 10.51%-11.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    |               |                     |                   |                          |                   |                       |                   |           |
| Total                              |               |                     | 15,000.00         | -                        | 3,500.00          | -                     | -                 | 18,500.00 |
| Add : Interest accrued but not due |               |                     |                   |                          |                   |                       |                   | 385.72    |
| Less : Unamortized Finance Cost    |               |                     |                   |                          |                   |                       |                   | (47.18)   |
| Total Amortized Cost               |               |                     | 15,000.00         |                          | 3,500.00          |                       | -                 | 18,838.54 |

**Terms of repayment of Debt securities as on March 31, 2022**

Terms of Repayment of Debt Securities as on March 31, 2022

| Original maturity loan             | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|------------------------------------|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
|                                    |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule         |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Quarterly repayment schedule       |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 9.01%-10.00%  | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 10.01%-11.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.01%-12.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 12.01%-12.50% | 5                   | 650.00            | -                        | -                 | -                     | -                 | 650.00    |
| Bullet repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | 8.51%-9.50%   | 1                   | 1,250.00          | 1                        | 5,000.00          | -                     | -                 | 6,250.00  |
|                                    | 9.51%-10.50%  | 1.00                | 1,500.00          | 2                        | 6,500.00          | -                     | -                 | 8,000.00  |
|                                    | 10.51%-11.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Total                              |               |                     | 3,400.00          | -                        | 11,500.00         | -                     | -                 | 14,900.00 |
| Add : Interest accrued but not due |               |                     |                   |                          |                   |                       |                   | 299.41    |
| Less : Unamortized Finance Cost    |               |                     |                   |                          |                   |                       |                   | (12.95)   |
| Total Amortized Cost               |               |                     | 3,400.00          | -                        | 11,500.00         | -                     | -                 | 15,186.47 |





**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**13 Borrowings (other than debt securities)**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>At amortised cost</b>   |                         |                         |
| <b>Term loans (Secured)</b>                                      |                         |                         |
| from banks   | 1,11,172.40             | 59,562.30               |
| from non banking financial companies                             | 26,757.56               | 10,993.61               |
| from financial institutions                                      | 4,454.33                | 5,344.18                |
| <b>Loans repayable on demand (Secured):</b>                      |                         |                         |
| Cash credit from Bank  | 26,112.03               | 32,691.04               |
| Associated liabilities in respect of securitisation transactions | -                       | 871.72                  |
| <b>Total</b>   | <b>1,68,496.32</b>      | <b>1,09,462.84</b>      |
| <b>Borrowings:</b>   |                         |                         |
| Within India   | 1,68,496.32             | 1,09,462.84             |
| Outside India  |                         |                         |
| <b>Total</b>   | <b>1,68,496.32</b>      | <b>1,09,462.84</b>      |

**Nature of security**
**Term loans (secured)**

Term Loans from bank, financial institutions and NBFCs are secured by an exclusive charge by way of hypothecation of specific loan receivable created out of the loan proceeds and cash collateral by way of fixed deposits and mortgage of personal properties of directors in addition to their personal guarantees.

**Loans repayable on demand (Secured)**

These loans are secured against the first pari passu charge on current assets, book debts and receivables including loans & advances of the Company as per the agreement. Further, the loan has been guaranteed by personal guarantee of director/promoter to the extent of INR 332.20 Cr (March 31, 2022: INR 342.20 Cr ).

The Company has utilised the funds raised from banks and financial institutions for the specific purpose for which they were borrowed

The Company has borrowed funds from banks and financial institutions on the basis of security of current assets. It has filed quarterly returns or statements of current assets with banks and financial institutions and the said returns/statements are in agreement with books of accounts.

**Terms of repayment of borrowings (other than debt) as on March 31, 2023**

| Terms of repayment or borrowings (other than debt) as on March 31, 2023 |               |                     |                   |                          |                   |                       |                   |             |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-------------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total       |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |             |
| Monthly repayment schedule  |               |                     |                   |                          |                   |                       |                   |             |
| 1-7 Years   | 6.00%-7.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -           |
|   | 7.01%-8.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -           |
|   | 8.01%-9.00%   | 71                  | 5,190.28          | 100                      | 7,240.50          | -                     | -                 | 12,430.78   |
|   | 9.01%-10.50%  | 275                 | 22,070.18         | 417                      | 32,909.19         | -                     | -                 | 54,979.37   |
|   | 10.51%-11.50% | 36                  | 2,262.97          | 38                       | 2,463.37          | -                     | -                 | 4,726.34    |
|   | 11.51%-12.50% | 3                   | 115.38            | -                        | -                 | -                     | -                 | 115.38      |
| Quarterly repayment schedule  |               |                     |                   |                          |                   |                       |                   |             |
| 1-5 Years   | 6.00%-7.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -           |
|   | 7.01%-8.00%   | 4                   | 1,820.00          | 7                        | 3,180.00          | -                     | -                 | 5,000.00    |
|   | 8.01%-9.00%   | 25                  | 6,060.44          | 37                       | 9,988.05          | -                     | -                 | 16,048.49   |
|   | 9.01%-10.50%  | 62                  | 14,416.67         | 112                      | 26,683.06         | -                     | -                 | 41,099.73   |
|   | 10.51%-11.50% | 9                   | 3,333.20          | 16                       | 5,380.49          | -                     | -                 | 8,713.69    |
|   | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -           |
| Total   |               |                     | 55,269.12         |                          | 87,844.66         |                       | -                 | 1,43,113.78 |
| Add : Interest accrued but not due                                      |               |                     |                   |                          |                   |                       |                   | 196.30      |
| Less : Unamortized Finance Cost   |               |                     |                   |                          |                   |                       |                   | (925.79)    |
| Total Amortized Cost  |               |                     | 55,269.12         | -                        | 87,844.66         | -                     | -                 | 1,42,384.29 |

**Terms of repayment of borrowings (other than debt) as on March 31, 2022**

| Terms of repayment of borrowings (other than debt) as on March 31, 2022 |               |                     |                   |                          |                   |                       |                   |           |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule  |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years   | 6.00%-7.00%   | 4                   | 5,335.00          | -                        | -                 | -                     | -                 | 5,335.00  |
|   | 7.01%-8.00%   | 12                  | 930.71            | 11                       | 869.33            | -                     | -                 | 1,800.04  |
|   | 8.01%-9.00%   | 150                 | 7,993.59          | 270                      | 15,973.10         | -                     | -                 | 23,966.69 |
|   | 9.01%-10.50%  | 35                  | 1,250.32          | 21                       | 1,175.66          | -                     | -                 | 2,425.98  |
|   | 10.51%-11.50% | 14                  | 698.81            | -                        | -                 | -                     | -                 | 698.81    |
|   | 11.51%-12.50% | 28                  | 1,692.40          | -                        | -                 | -                     | -                 | 1,692.40  |
| Quarterly repayment schedule  |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years   | 6.00%-7.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | 7.01%-8.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | 8.01%-9.00%   | 47                  | 9,853.33          | 93                       | 19,850.83         | -                     | -                 | 29,704.16 |
|   | 9.01%-10.50%  | 12                  | 3,566.67          | 18                       | 6,155.76          | -                     | -                 | 9,722.43  |
|   | 10.51%-11.50% | 5                   | 832.98            | -                        | -                 | -                     | -                 | 832.98    |
|   | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Total   |               |                     | 32,153.80         |                          | 44,024.68         |                       | -                 | 76,178.48 |
| Add : Interest accrued but not due                                      |               |                     |                   |                          |                   |                       |                   | 153.74    |
| Less : Unamortized Finance Cost   |               |                     |                   |                          |                   |                       |                   | (432.14)  |
| Total Amortized Cost  |               |                     | 32,153.80         |                          | 44,024.68         |                       | -                 | 75,900.08 |



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 14 Subordinated Liabilities

| Particulars                            | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>Unsecured - At amortised cost</b>   |                         |                         |
| Non convertible debentures (Tier-II)   | 16,345.06               | 4,505.22                |
| Indian rupee loan from banks (Tier-II) | -                       | 1,498.23                |
| <b>Total</b>                           | <b>16,345.06</b>        | <b>6,003.46</b>         |
| <b>Subordinated Liabilities:</b>       |                         |                         |
| Within India                           | 16,345.06               | 6,003.45                |
| <b>Total</b>                           | <b>16,345.06</b>        | <b>6,003.45</b>         |

#### Terms of repayment of subordinated liabilities as on March 31, 2023

| Terms of repayment of subordinated liabilities as on March 31, 2023 |               |                     |                   |                          |                   |                       |                   |           |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Bullet repayment schedule   |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years   | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | >13.50%       |                     |                   | 1                        | 2,500.00          | 1                     | 14,000.00         | 16,500.00 |
| Total   |               |                     |                   |                          | 2,500.00          |                       | 14,000.00         | 16,500.00 |
| Add : Interest accrued but not due                                  |               |                     |                   |                          |                   |                       |                   | 8.98      |
| Less : Unamortized Finance Cost                                     |               |                     |                   |                          |                   |                       |                   | (163.92)  |
| Total Amortized Cost  |               |                     |                   |                          | 2,500.00          |                       | 14,000.00         | 16,345.06 |

#### Terms of repayment of subordinated liabilities as on March 31, 2022

| Terms of repayment of subordinated liabilities as on March 31, 2022 |               |                     |                   |                          |                   |                       |                   |          |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total    |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |          |
| Bullet repayment schedule   |               |                     |                   |                          |                   |                       |                   |          |
| 1-7 Years   | 11.51%-12.50% | 1.00                | 1,500.00          | 2                        | 4,500.00          | -                     | -                 | 6,000.00 |
|   | >13.50%       |                     |                   |                          |                   |                       |                   | -        |
| Total   |               |                     |                   |                          | 4,500.00          |                       | -                 | 6,000.00 |
| Add : Interest accrued but not due                                  |               |                     |                   |                          |                   |                       |                   | 37.37    |
| Less : Unamortized Finance Cost                                     |               |                     |                   |                          |                   |                       |                   | (33.92)  |
| Total Amortized Cost  |               |                     |                   |                          | 4,500.00          |                       | -                 | 6,003.45 |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**15 Other financial liabilities**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Lease Liabilities  | 278.39                  | 11.61                   |
| Employee benefits payable                                | 318.14                  | 216.76                  |
| Expenses payable   | 26.79                   | 4.45                    |
| Other Payables   | 233.80                  | 204.17                  |
| Deposit from franchisees                                 | 431.47                  | 341.41                  |
| Payable towards securitisation / assignment transactions | 1,632.75                | 1,251.73                |
| <b>Total</b>   | <b>2,921.34</b>         | <b>2,030.13</b>         |

**16 Provisions**

| Particulars                  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------|-------------------------|-------------------------|
| Provision for gratuity       | 154.38                  | 122.20                  |
| Provision for leave benefits | 56.12                   | 184.17                  |
| <b>Total</b>                 | <b>210.50</b>           | <b>306.37</b>           |

**17 Other non-financial liabilities**

| Particulars            | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------|-------------------------|-------------------------|
| Statutory dues payable | 179.07                  | 99.50                   |
| <b>Total</b>           | <b>179.07</b>           | <b>99.50</b>            |



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

":

**18. Equity share capital**

| Particulars  | As at March 31, 2023 |                  | As at March 31, 2022 |                 |
|--|----------------------|------------------|----------------------|-----------------|
|  | Number               | Amount           | Number               | Amount          |
| <b>Authorised Capital</b>                                    |                      |                  |                      |                 |
| Equity shares of INR 10 each                                 | 8,00,00,000          | 8,000.00         | 6,00,00,000          | 6,000.00        |
| Preference shares of INR 100 each                            | 25,00,000            | 2,500.00         | 25,00,000            | 2,500.00        |
|  | <b>8,25,00,000</b>   | <b>10,500.00</b> | <b>6,25,00,000</b>   | <b>8,500.00</b> |
| <b>Issued, subscribed and fully paid-up shares</b>           |                      |                  |                      |                 |
| Equity Shares of INR 10 each fully paid up                   | 6,45,75,050          | 6,457.51         | 4,74,79,379          | 4,747.94        |
| Coverted from Partly Paid to Fully Paid Equity Shares        | -                    | -                | 51,79,688            | 517.97          |
|  | <b>6,45,75,050</b>   | <b>6,457.51</b>  | <b>5,26,59,067</b>   | <b>5,265.91</b> |
| <b>Issued, subscribed and fully paid-up shares</b>           |                      |                  |                      |                 |
| Equity Shares of INR 10 each, Fully paid up INR 10 per share | -                    | -                | 51,79,688            | 517.97          |
| Coverted to Fully Paid Equity Shares                         | -                    | -                | (51,79,688)          | (517.97)        |
|  | -                    | -                | -                    | -               |
| <b>Total</b>   | <b>6,45,75,050</b>   | <b>6,457.51</b>  | <b>5,26,59,067</b>   | <b>5,265.91</b> |

**A. Reconciliation of number of shares**

| Particulars  | As at March 31, 2023 |                 | As at March 31, 2022 |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | Number               | Amount          | Number               | Amount          |
| <b>Fully paid equity share of INR 10 each</b>                                      |                      |                 |                      |                 |
| At the beginning of the year   | 5,26,59,067          | 5,265.91        | 4,74,79,379          | 4,747.94        |
| Shares issued during the year  | 1,19,15,983          | 1,191.60        | -                    | -               |
| Coverted from Partly Paid to Fully Paid Equity Shares                              | -                    | -               | 51,79,688            | 517.97          |
| <b>Outstanding at the end of the year</b>  | <b>6,45,75,050</b>   | <b>6,457.51</b> | <b>5,26,59,067</b>   | <b>5,265.91</b> |
| <b>Partly paid up equity share of INR 10 each, partly paid up INR 10 per share</b> |                      |                 |                      |                 |
| At the beginning of the year   | -                    | -               | 51,79,688            | 419.55          |
| Amount called/Issued during the year   | -                    | -               | -                    | 98.41           |
| Coverted to Fully Paid Equity Shares   | -                    | -               | (51,79,688)          | (517.97)        |
| <b>Outstanding at the end of the year</b>  | <b>-</b>             | <b>-</b>        | <b>-</b>             | <b>-</b>        |

**Notes:**
**B. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of INR 10 per share fully paid up. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend if and when proposed by the Board of Directors will be subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the equity shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any, in proportion to the number of equity shares held by the shareholder.





**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**C. Details of shareholder(s) holding more than 5% of equity shares in the Company :**

| Name of shareholder   | As at March 31, 2023 |           | As at March 31, 2022 |           |
|---|----------------------|-----------|----------------------|-----------|
|   | No. of shares held   | % Holding | No. of shares held   | % Holding |
| <b>Equity shares of INR 10 each fully paid up</b>   |                      |           |                      |           |
| Vupputuri Gopala Kishan Prasad  | 1,98,53,581          | 30.74%    | 1,97,43,156          | 37.49%    |
| India Business Excellence Fund-IIA  | 1,30,51,546          | 20.21%    | 1,30,51,546          | 24.78%    |
| Vistra ITCL (India) Limited (formerly known as IL and FS Trust Company Limited) (Trustee of Business Excellence Trust-II - India Business Excellence Fund II) | 78,04,018            | 12.09%    | 78,04,018            | 14.82%    |
| Koganti Vasumathi Devi  | 26,47,266            | 4.10%     | 26,47,266            | 5.03%     |
| Accion Digital Transformation Fund , LP   | 55,81,395            | 8.64%     |                      |           |

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

**D. Shareholding of Promoters**

| Shares held by promoters at the end of the year        | As at March 31, 2023 |                   |                          | As at March 31, 2022 |                   |                          |
|--|----------------------|-------------------|--------------------------|----------------------|-------------------|--------------------------|
|  | No. of Shares        | % of Total Shares | % Change during the year | No. of Shares        | % of Total Shares | % Change during the year |
| <b>a. Equity shares of INR 10 each fully paid up *</b> |                      |                   |                          |                      |                   |                          |
| Vupputuri Gopala Kishan Prasad                         | 1,98,53,581          | 30.74%            | 0.56%                    | 1,97,43,156          | 37.49%            | 24.36%                   |
| Vupputuri Indira Devi                                  | 16,48,142            | 2.55%             | 0.00%                    | 16,48,142            | 3.13%             | 24.21%                   |
| Koganti Vasumathi Devi                                 | 26,47,266            | 4.10%             | 0.00%                    | 26,47,266            | 5.03%             | 24.21%                   |
| Devineni Vasantha Lakshmi                              | 24,91,794            | 3.86%             | 0.00%                    | 24,91,794            | 4.73%             | 24.21%                   |
| Vupputuri Raghu Ram                                    | 18,00,670            | 2.79%             | 0.00%                    | 18,00,670            | 3.42%             | 24.21%                   |
| Durga Rani Chunduri                                    | 14,94,100            | 2.31%             | 0.00%                    | 14,94,100            | 2.84%             | 0.00%                    |
| Sinha Satyanand Chunduri                               | 1,17,700             | 0.18%             | 0.00%                    | 1,17,700             | 0.22%             | 0.00%                    |

\* Partly paid shares are full paid and converted to fully paid equity shares in March 22

**E. Aggregate number of equity shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

| Particular  | As at<br>March 31, 2023 | As at<br>March 31, 2022 | As at<br>March 31, 2021 | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Equity shares of ₹ 10 each, fully paid up, allotted on conversion of 19,53,125/- 0.01% Compulsorily convertible preference share of INR 100 each, Fully paid-up | -                       | -                       | -                       | -                       | 195.31                  |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**19. Other equity**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Capital reserve  | 32.50                   | 32.50                   |
| Securities premium reserve   | 34,891.60               | 10,576.37               |
| Share Based Payment reserve  | 20.63                   | 24.62                   |
| Statutory Reserve under section 45-IC of the Reserve Bank of India Act, 1934 | 5,993.60                | 4,993.50                |
| General reserve  | 1,471.49                | 1,221.46                |
| Retained earnings  | 20,382.66               | 16,622.42               |
| <b>Total</b>   | <b>62,792.48</b>        | <b>33,470.86</b>        |

**Nature and purpose of reserve****a. Capital reserve**

This reserve was created to record the excess carrying value of optionally convertible debentures provided through securities premium. The excess value is recorded by reversing the capital reserve with corresponding debit to debentures.

**b. Securities premium reserve**

The securities premium reserve is used to record the premium received on issue of shares. The reserve can be utilised only for limited purpose such as issuance of bonus shares in accordance with provision of the Companies Act, 2013.

**c. Statutory reserve**

Reserves created under Section 45IC of The Reserve Bank of India Act, 1934

**d. Share based payment reserve**

The share based payment reserve is used to recognise the grant date fair value of options issued to employees of the Company and its subsidiaries under stock option schemes of the Company.

**e. Retained earnings**

Retained earnings represents surplus / accumulated earnings of the Company and are available for distribution to shareholders.

**f. General Reserve**

It is a free reserve which is created by appropriation from profits of the current year and/or undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.

**B. Movement in Other equity**

| Particulars   | As at March 31, 2023 | As at March 31, 2022 |
|---|----------------------|----------------------|
| <b>I. Capital Reserve</b>   |                      |                      |
| Opening balance   | 32.50                | 32.50                |
| Add : Share issued during the year  | -                    | -                    |
|   | <b>32.50</b>         | <b>32.50</b>         |
| <b>II. Securities premium reserve</b>   |                      |                      |
| Opening balance   | 10,576.37            | 9,960.39             |
| Add : Premium received on issue of securities   | 24,315.23            | 615.97               |
| Impact of first time adoption of Ind AS   | -                    | -                    |
|   | <b>34,891.60</b>     | <b>10,576.37</b>     |
| <b>III. Share Based Payment reserve</b>   |                      |                      |
| Opening balance   | 24.62                | 30.65                |
| Add : During the year   | -3.99                | (6.03)               |
|   | <b>20.63</b>         | <b>24.62</b>         |
| <b>IV. Statutory Reserve under section 45-IC of the Reserve Bank of India Act, 1934</b> |                      |                      |
| Opening balance   | 4,993.50             | 4,187.41             |
| Add : Transfer from retained earnings   | 1,000.10             | 806.09               |
|   | <b>5,993.60</b>      | <b>4,993.50</b>      |
| <b>V. General Reserve</b>   |                      |                      |
| Opening balance   | 1,221.46             | 1,019.94             |
| Add : Transfer from retained earnings   | 250.03               | 201.52               |
|   | <b>1,471.49</b>      | <b>1,221.46</b>      |
| <b>VI. Retained earnings</b>  |                      |                      |
| Opening balance   | 16,622.42            | 13,591.31            |
| Add : Profit for the year   | 5,000.51             | 4,030.44             |
| Add : Other comprehensive income  | 9.86                 | 8.28                 |
| <b>Appropriations:</b>  |                      |                      |
| Transfer to Statutory Reserve u/s 45-IC of the Reserve Bank of India Act, 1934          | (1,000.10)           | (806.09)             |
| Transfer to General reserve   | (250.03)             | (201.52)             |
| <b>Total</b>  | <b>20,382.66</b>     | <b>16,622.42</b>     |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**20 Interest income**

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| <b>On financial assets measured at amortised cost</b> |                              |                              |
| Interest on loans                                     | 27,672.71                    | 21,757.50                    |
| Interest on deposits with banks                       | 122.43                       | 141.80                       |
| Interest on investment in debentures                  | 606.38                       | 33.06                        |
| <b>Total</b>  | <b>28,401.52</b>             | <b>21,932.36</b>             |

**21 Fees and commission income**

| Particulars            | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|------------------------|------------------------------|------------------------------|
| Other fees and charges | 240.36                       | 160.21                       |
| <b>Total</b>           | <b>240.36</b>                | <b>160.21</b>                |

**22 Other income**

| Particulars                   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|-------------------------------|------------------------------|------------------------------|
| Interest on income tax refund | -                            | -                            |
| Rental income                 | 7.63                         | 7.63                         |
| Miscellaneous Income          | 10.17                        | 22.61                        |
| <b>Total</b>                  | <b>17.80</b>                 | <b>30.25</b>                 |

**23 Finance costs**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>On financial liabilities measured at amortised cost</b> |                              |                              |
| Interest on deposits                                       | 50.07                        | 70.16                        |
| Interest on borrowings                                     | 11,440.35                    | 6,879.65                     |
| Interest on commercial paper and bonds                     | -                            | -                            |
| Interest on debentures                                     | 1,354.17                     | 2,720.03                     |
| Interest on subordinated liabilities                       | 1,506.21                     | 800.06                       |
| Interest on ICD  | 126.42                       | 265.90                       |
| Interest on lease liabilities                              | 33.63                        | 2.12                         |
| Interest on securitisation                                 | 99.70                        | 475.13                       |
| Bank Charges   | 5.51                         | 9.57                         |
| Other finance cost   | 786.57                       | 565.04                       |
| <b>Total</b>   | <b>15,402.63</b>             | <b>11,787.65</b>             |

**24 Impairment on financial instruments**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>On financial instruments measured at amortised cost</b> |                              |                              |
| Loans  | (44.98)                      | (224.16)                     |
| Trade receivables  | -                            | (26.21)                      |
| Bad debts and write offs                                   | 584.83                       | 762.15                       |
| <b>Total</b>   | <b>539.85</b>                | <b>511.78</b>                |

**25 Employee benefits expenses**

| Particulars                               | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Salaries and wages                        | 4,057.01                     | 2,964.03                     |
| Contribution to provident and other funds | 216.75                       | 165.42                       |
| Share based payment to employees          | (3.99)                       | (6.03)                       |
| Staff welfare expenses                    | 84.87                        | 43.05                        |
| Gratuity                                  | 47.37                        | 34.49                        |
| Leave encashment                          | (104.57)                     | 47.07                        |
| <b>Total</b>                              | <b>4,297.44</b>              | <b>3,248.03</b>              |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**26 Depreciation, amortization and impairment**

| Particulars                                   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Depreciation on property, plant and equipment | 215.77                       | 85.10                        |
| Depreciation on investment property           | 0.17                         | 0.17                         |
| Amortization of intangible assets             | 48.29                        | 43.70                        |
| <b>Total</b>                                  | <b>264.23</b>                | <b>128.96</b>                |

**27 Other expenses**

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Rent  | 245.30                       | 200.31                       |
| Communication cost                                    | 75.23                        | 49.06                        |
| Travelling and conveyance                             | 212.14                       | 113.57                       |
| Rates and taxes                                       | 379.17                       | 224.80                       |
| Insurance   | 3.31                         | 3.83                         |
| Commission and Brokerage                              | 49.38                        | 17.20                        |
| Repairs and maintenance                               | 72.54                        | 66.61                        |
| Printing and stationary                               | 40.64                        | 28.68                        |
| Payment to auditors (Refer Note 27.1)                 | 26.20                        | 32.97                        |
| Advertisement, publicity and sales promotion expenses | 11.49                        | 3.36                         |
| Operation Cost  | 31.30                        | 29.84                        |
| Legal and professional fees                           | 144.54                       | 128.29                       |
| Corporate social responsibility (Refer Note 27.2)     | 91.29                        | 96.53                        |
| Director sitting fees                                 | 7.50                         | 1.00                         |
| Loss on sale of property, plant and equipment         | 1.91                         | -                            |
| Loss on sale of Investment Property                   | 3.15                         | 6.10                         |
| Miscellaneous expenses                                | 29.71                        | 16.97                        |
| <b>Total</b>  | <b>1,424.80</b>              | <b>1,019.11</b>              |

**27.1 Payment to the auditors:**

| Particulars                                  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| Auditor's remuneration                       |                              |                              |
| - Audit fees (including Limited review fees) | 25.00                        | 31.00                        |
| In other capacity                            |                              |                              |
| - Certification services                     | 1.20                         | 1.91                         |
| Other of pocket expenses                     | -                            | 0.06                         |
| <b>Total</b>                                 | <b>26.20</b>                 | <b>32.97</b>                 |

**27.2 Corporate social responsibility:**

| Particulars  | Year ended<br>March 31, 2023                | Year ended<br>March 31, 2022                |
|--|---|---|
| a) Amount required to be spent by the company during the year  | 90.94                                       | 88.85                                       |
| b) Amount of expenditure incurred  |   |   |
| i) Construction/acquisition of any asset   | -   | -   |
| ii) On purposes other than (i) above   | 91.29                                       | 96.53                                       |
| c) Shortfall at the end of the year  | -   | -   |
| d) Total of previous years shortfall   | -   | -   |
| e) Net Shortfall   | -   | -   |
| f) Reason for shortfall  | NA  | NA  |
| g) Nature of CSR activities  | Disaster relief,<br>Sanitation and Hygiene. | Disaster relief,<br>Sanitation and Hygiene. |
| h) Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting                            | -   | -   |
| i) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately. | -   | -   |





**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**28 Income tax****(a) Income tax expense**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
|  | INR                          | INR                          |
| <b>Current tax</b>   |                              |                              |
| Current tax on profits for the year  | 1,461.47                     | 1,487.04                     |
| Adjustment for current tax of the prior periods  | 12.91                        | 10.06                        |
| <b>Subtotal (A)</b>  | <b>1,474.38</b>              | <b>1,497.10</b>              |
| <b>Deferred tax</b>  |                              |                              |
| Decrease/(Increase) in deferred tax assets   | (91.42)                      | 52.59                        |
| (Decrease)/Increase in deferred tax liabilities  | 343.94                       | (155.62)                     |
| <b>Subtotal (B)</b>  | <b>252.53</b>                | <b>(103.03)</b>              |
| <b>Deferred tax asset/ (liability) relating to items recognised in other Comprehensive Income (C )</b> | <b>(3.32)</b>                | <b>(2.79)</b>                |
| <b>Income tax expense for the year (A+B+C)</b>   | <b>1,730.22</b>              | <b>1,396.85</b>              |

**(b) Deferred tax**

The major components of deferred tax (liabilities) arising on account of timing differences for the year ended March 31, 2023:

| Particulars   | Net balance<br>March 31, 2022 | Recognised in<br>profit or loss | Recognised<br>in OCI | Net balance<br>March 31, 2023 |
|---|-------------------------------|---------------------------------|----------------------|-------------------------------|
| <b>Deferred tax assets</b>  |                               |                                 |                      |                               |
| Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis | 77.11                         | (20.81)                         | (3.32)               | 52.98                         |
| Impact of provision for expected credit loss on loans   | 617.45                        | (11.97)                         |                      | 605.48                        |
| Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting                     | 4.98                          | 3.70                            |                      | 8.68                          |
| Impact of leases under Ind AS 116   | 2.92                          | 67.14                           |                      | 70.06                         |
| Share based payment   | 6.21                          | (1.01)                          |                      | 5.20                          |
| Others  | -                             | -                               |                      | -                             |
| EIR impact of financial assets-and liabilities  | (39.98)                       | 51.05                           |                      | 11.06                         |
| <b>(A)</b>  | <b>668.67</b>                 | <b>88.10</b>                    | <b>(3.32)</b>        | <b>753.46</b>                 |
| <b>Deferred tax liabilities</b>   |                               |                                 |                      |                               |
| Impact of amortisation of ancillary borrowing cost  | 120.56                        | 165.58                          |                      | 286.13                        |
| EIR impact of financial assets and liabilities  |                               |                                 |                      |                               |
| Impact of direct assignment and securitisation transactions   | 379.46                        | 95.55                           |                      | 475.01                        |
| Interest income recognised on stage 3 loans   | 95.60                         | 17.51                           |                      | 113.11                        |
| Others  | 2.71                          | 65.31                           |                      | 68.03                         |
| <b>(B)</b>  | <b>598.33</b>                 | <b>343.94</b>                   | <b>-</b>             | <b>942.28</b>                 |
| <b>Deferred tax assets (net) (A-B)</b>  | <b>70.34</b>                  | <b>(255.84)</b>                 | <b>(3.32)</b>        | <b>(188.82)</b>               |



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

The major components of deferred tax (liabilities) arising on account of timing differences for the year ended March 31, 2022:

| Particulars   | Net balance<br>March 31, 2021 | Recognised in<br>profit or loss | Recognised<br>in OCI | Net balance<br>March 31, 2022 |
|---|-------------------------------|---------------------------------|----------------------|-------------------------------|
| <b>Deferred tax assets</b>  |                               |                                 |                      |                               |
| Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis | 69.35                         | 10.55                           | (2.79)               | 77.11                         |
| Impact of provision for expected credit loss on loans   | 680.46                        | (63.01)                         | -                    | 617.45                        |
| Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting                     | 2.58                          | 2.40                            | -                    | 4.98                          |
| Impact of leases under Ind AS 116   | 6.71                          | (3.79)                          | -                    | 2.92                          |
| Share based payment   | 7.72                          | (1.52)                          | -                    | 6.21                          |
| Others  | -                             | -                               | -                    | -                             |
| <b>(A)</b>  | <b>766.82</b>                 | <b>(55.38)</b>                  | <b>(2.79)</b>        | <b>708.66</b>                 |
| <b>Deferred tax liabilities</b>   |                               |                                 |                      |                               |
| Impact of amortisation of ancillary borrowing cost  | 119.00                        | 1.56                            | -                    | 120.56                        |
| EIR impact of financial assets and liabilities  | 86.49                         | (46.51)                         | -                    | 39.98                         |
| Impact of direct assignment and securitisation transactions   | 507.77                        | (128.31)                        | -                    | 379.46                        |
| Interest income recognised on stage 3 loans   | 74.43                         | 21.17                           | -                    | 95.60                         |
| Others  | 6.24                          | (3.53)                          | -                    | 2.71                          |
| <b>(B)</b>  | <b>793.94</b>                 | <b>(155.62)</b>                 | <b>-</b>             | <b>638.31</b>                 |
| <b>Deferred tax assets (net) (A-B)</b>  | <b>(27.11)</b>                | <b>100.25</b>                   | <b>(2.79)</b>        | <b>70.34</b>                  |

**(c) Reconciliation of effective tax rate**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
|  | INR                          | INR                          |
| Profit before tax as per Statement of profit and loss (A)                  | 6,730.73                     | 5,427.29                     |
| Applicable income tax rate   | 25.17%                       | 25.17%                       |
| Expected Income Tax Expense (B)  | 1,693.99                     | 1,365.94                     |
| <b>Tax effect of:</b>  |                              |                              |
| Effect of income exempt from tax   | (0.55)                       | (0.55)                       |
| Effect of expenses/provisions not deductible in determining taxable profit | 23.31                        | 24.31                        |
| Effect of differential tax rate  | -                            | -                            |
| Adjustment related to tax of prior years                                   | 12.91                        | 10.06                        |
| Others   | 0.56                         | (2.92)                       |
| <b>Income tax expense</b>  | <b>1,730.22</b>              | <b>1,396.85</b>              |



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**29 Employee Benefits**
**a. Defined contribution plan - provident funds**

In accordance with Employees' Provident Fund and Miscellaneous Provisions Act, 1952, employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a recognized provident fund administered by Regional Provident Fund Commissioner. The employees contribute 12% of their basic salary and the Company contributes an equal amount.

The Company recognised INR 216.75 lakhs (PY: INR 165.42 lakhs) for year ended March 31, 2023, for provident fund and other contributions in the Statement of profit and loss.

**b. Defined Benefit Plan - Gratuity**

The Company has a defined benefit gratuity plan (unfunded). Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of INR 20 lakhs as per The Payment of Gratuity Act, 1972.

The following tables summarizes the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

| Particulars                               | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Present value of obligation (A)           | 154.38                  | 122.20                  |
| Fair Value of plan assets (B)             | -                       | -                       |
| <b>Present value of obligation (A- B)</b> | <b>154.38</b>           | <b>122.20</b>           |

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Obligation expected to be settled in the next 12 months | 15.02                   | 9.62                    |
| Obligation expected to be settled beyond next 12 months | 139.37                  | 112.58                  |

**Movement in net defined benefit (asset) liability**

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| Particulars                                     | Defined Benefit Obligation |                 | Fair Value of plan assets |                 | Net defined benefit (asset) liability |                 |
|---|----------------------------|-----------------|---------------------------|-----------------|---------------------------------------|-----------------|
|   | March 31, 2023.            | March 31, 2022. | March 31, 2023.           | March 31, 2022. | March 31, 2023.                       | March 31, 2022. |
| <b>Opening balance</b>                          | 122.20                     | 110.45          | -                         | -               | 122.20                                | 110.45          |
| Current service cost                            | 38.50                      | 27.26           | -                         | -               | 38.50                                 | 27.26           |
| Past service cost                               | -                          | -               | -                         | -               | -                                     | -               |
| Interest cost (income)                          | 8.87                       | 7.23            | -                         | -               | 8.87                                  | 7.23            |
| <b>Defined benefit cost included in P&amp;L</b> | <b>47.37</b>               | <b>34.49</b>    | <b>-</b>                  | <b>-</b>        | <b>47.37</b>                          | <b>34.49</b>    |
| <b>Other comprehensive income</b>               |                            |                 |                           |                 |                                       |                 |
| Remeasurement loss (gain) due to:               |                            |                 |                           |                 |                                       |                 |
| Demographic assumptions                         | -                          | -               | -                         | -               | -                                     | -               |
| Financial assumption                            | (1.89)                     | (3.69)          | -                         | -               | (1.89)                                | (3.69)          |
| Experience adjustments                          | (10.87)                    | (7.38)          | -                         | -               | (10.87)                               | (7.38)          |
| <b>Total remeasurements in OCI</b>              | <b>(12.77)</b>             | <b>(11.07)</b>  | <b>-</b>                  | <b>-</b>        | <b>(12.77)</b>                        | <b>(11.07)</b>  |
| <b>Others</b>                                   |                            |                 |                           |                 |                                       |                 |
| Benefits paid                                   | (2.42)                     | (11.67)         | -                         | -               | (2.42)                                | (11.67)         |
| <b>Closing balance</b>                          | <b>154.38</b>              | <b>122.20</b>   | <b>-</b>                  | <b>-</b>        | <b>154.38</b>                         | <b>122.20</b>   |



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**Actuarial assumptions:**

The following were the principal actuarial assumptions at the reporting date:

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Discount rate   | 7.51%                   | 7.33%                   |
| Salary escalation rate  | 6.00%                   | 6.00%                   |
| Withdrawal/attrition rate (based on categories)                       | 9.00%                   | 9.00%                   |
| Mortality rate (as % of IALM (2012-14) Ult. Mortality Table)          | 100.00%                 | 100.00%                 |
| Disability rate   | 0.00%                   | 0.00%                   |
| <b>Expected weighted average remaining working lives of employees</b> | <b>25.36 years</b>      | <b>24.90 years</b>      |

**Notes:**

a) The discount rate indicated above reflects the estimated timing and currency of benefit payments. It is based on the yields / rates available on applicable bonds as on the current valuation date.

b) The salary growth rate indicated above is the Company's best estimate of an increase in salary of the employees in future years, determined considering the general trend in inflation, seniority, promotions, past experience and other relevant factors such as demand and supply in employment market, etc.

c) Attrition rate indicated above represents the Company's best estimate of employee turnover in future (other than on account of retirement, death or disablement) determined considering various factors such as nature of business, retention policy, industry factors, past experience, etc.

**Sensitivity analysis:**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Particulars                     | As at March 31, 2023 |                  | As at March 31, 2022 |                  |
|---------------------------------|----------------------|------------------|----------------------|------------------|
|                                 | Increase             | Decrease         | Increase             | Decrease         |
| Salary escalation Rate (+/- 1%) | 165.19<br>7.00%      | 144.64<br>-6.31% | 130.98<br>7.20%      | 114.20<br>-6.50% |
| Discount Rate (+/- 1%)          | 144.60<br>-6.34%     | 165.47<br>7.18%  | 114.15<br>-6.60%     | 131.33<br>7.50%  |
| Withdrawal Rate (+/- 1%)        | 154.54<br>0.10%      | 154.13<br>-0.17% | 122.42<br>0.20%      | 121.90<br>-0.20% |

The Sensitivity is performed on the defined benefit obligation at the respective valuation date by modifying one parameter whilst retaining other parameters constant. There are no changes from the previous year to the methods and assumptions underlying the sensitivity analyses.

**Expected future contributions**

The Best Estimate Contribution for the Company during the next year would be INR Nil

Expected cash flow for following years:

| Maturity Profile of Defined Benefit Obligations |        |
|---|--------|
| Year 1  | 15.12  |
| Year 2  | 13.52  |
| Year 3  | 26.88  |
| Year 4  | 12.57  |
| Year 5  | 19.90  |
| Year 6  | 13.51  |
| Year 7  | 12.26  |
| Year 8  | 12.33  |
| Year 9  | 14.05  |
| Year 10   | 14.41  |
| Year 11+  | 138.94 |

The weighted average duration of the defined benefit obligation is 7.77

**c. Compensated absences :**

The Company provides for accumulated compensated absences as at the balance sheet date using projected unit credit method based on actuarial valuation.

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Present value of unfunded obligation                    | 56.12                   | 184.17                  |
| Expenses recognised in the Statement of Profit and Loss | (104.57)                | 47.07                   |



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 30 Earnings per share

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| <b>Profit for the year</b>  | <b>5,000.51</b>         | <b>4,030.44</b>         |
| Weighted average number of equity shares used in calculating basic earnings per share                               | 536.99                  | 516.78                  |
| Effect of potential dilutive Equity Shares on account of unexercised employee stock options                         | 0.19                    | 0.23                    |
| Weighted average number of equity shares and potential equity shares used in calculating diluted earnings per share | <b>537.18</b>           | <b>517.01</b>           |
| <b>Basic earnings per share</b>   | <b>9.31</b>             | <b>7.80</b>             |
| <b>Diluted earnings per share</b>   | <b>9.31</b>             | <b>7.80</b>             |

#### 31 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the Company. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Promoters of the Company. The Company operates only in one Business Segment i.e. lending, since the nature of the loans are exposed to similar risks and return profiles, hence they are collectively operating under a single segment. Accordingly the Company does not have any reportable Segments as per Indian Accounting Standard 108 "Operating Segments".





## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 32 Transfer of financial assets

##### Transfer of financial assets that are not derecognised in their entirety

###### (i) Securitisations:

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Carrying amount of transferred assets measured at amortised cost | -                       | 1,195.10                |
| Carrying amount of associated liabilities                        | -                       | 871.72                  |

The carrying amount of above assets and liabilities is a reasonable approximation of their fair values.

##### Transfer of financial assets which qualify for derecognition in their entirety

###### (i) Assignment transaction

The Company has sold loans and advances measured at amortised cost under assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet.

The gain arising on said transactions are recorded upfront by discounting the future cash flows accruing in the form of differential interest on such assigned loan to their present values.

The table below summarises the carrying amount of the Excess Interest Spread (EIS) receivable on above transaction which are derecognised

| Particulars                       | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|-----------------------------------|-------------------------|-------------------------|
| Carrying amount of EIS receivable | 1,926.33                | 1,450.27                |



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 33 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

| Particulars                                       | As at March 31, 2023 |                    |                    | As at March 31, 2022 |                    |                    |
|---|----------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
|   | Within 12 months     | After 12 months    | Total              | Within 12 months     | After 12 months    | Total              |
| <b>ASSETS</b>                                     |                      |                    |                    |                      |                    |                    |
| <b>Financial assets</b>                           |                      |                    |                    |                      |                    |                    |
| Cash and cash equivalents                         | 23,039.43            |                    | 23,039.43          | 3,377.21             | -                  | 3,377.21           |
| Bank Balance other than cash and cash equivalents | 4280.30              | 1292.87            | 5,573.17           | 1274.79              | 933.86             | 2,208.65           |
| Loans   | 76173.43             | 134581.08          | 2,10,754.51        | 65514.88             | 90810.52           | 1,56,325.40        |
| Investments                                       | 20,047.82            | 10,762.73          | 30,810.55          | -                    | 6,252.92           | 6,252.92           |
| Other Financial assets                            | 1,417.27             | 834.30             | 2,251.57           | 1,173.95             | 627.01             | 1,800.96           |
| <b>Sub total</b>                                  | <b>1,24,958.25</b>   | <b>1,47,470.98</b> | <b>2,72,429.23</b> | <b>71,340.83</b>     | <b>98,624.31</b>   | <b>1,69,965.14</b> |
| <b>Non-financial assets</b>                       |                      |                    |                    |                      |                    |                    |
| Current Tax assets (Net)                          | 372.98               |                    | 372.98             | 183.04               | -                  | 183.04             |
| Deferred Tax assets (Net)                         |                      | -                  | -                  | -                    | 70.34              | 70.34              |
| Investment Property                               |                      | 72.14              | 72.14              | -                    | 114.31             | 114.31             |
| Property, plant and equipment                     |                      | 250.23             | 250.23             | -                    | 260.11             | 260.11             |
| Right to Use Assets                               |                      | 270.26             | 270.26             | -                    | 10.75              | 10.75              |
| Intangible assets                                 |                      | 156.38             | 156.38             | -                    | 154.42             | 154.42             |
| Other non-financial assets                        | 0.27                 | 2,878.14           | 2,878.41           | 2.39                 | 1,065.03           | 1,067.42           |
| <b>Sub total</b>                                  | <b>373.25</b>        | <b>3,627.16</b>    | <b>4,000.41</b>    | <b>185.43</b>        | <b>1,674.96</b>    | <b>1,860.39</b>    |
| <b>Total assets</b>                               | <b>1,25,331.50</b>   | <b>1,51,098.13</b> | <b>2,76,429.64</b> | <b>71,526.26</b>     | <b>1,00,299.26</b> | <b>1,71,825.53</b> |
| <b>LIABILITIES AND EQUITY</b>                     |                      |                    |                    |                      |                    |                    |
| <b>LIABILITIES</b>                                |                      |                    |                    |                      |                    |                    |
| <b>Financial liabilities</b>                      |                      |                    |                    |                      |                    |                    |
| Debt Securities                                   | 15,385.72            | 3,452.82           | 18,838.54          | 3,699.42             | 11,487.05          | 15,186.47          |
| Borrowings (Other than Debt Securities)           | 81,577.44            | 86,918.88          | 1,68,496.32        | 65,827.60            | 43,635.24          | 1,09,462.84        |
| Subordinated Liabilities                          | 8.98                 | 16,336.07          | 16,345.06          | 1,537.37             | 4,466.08           | 6,003.45           |
| Other Financial liabilities                       | 2,641.02             | 280.32             | 2,921.34           | 1,808.65             | 221.48             | 2,030.13           |
| <b>Sub total</b>                                  | <b>99,613.16</b>     | <b>1,06,988.10</b> | <b>2,06,601.26</b> | <b>72,873.04</b>     | <b>59,809.85</b>   | <b>1,32,682.89</b> |
| <b>Non-Financial liabilities</b>                  |                      |                    |                    |                      |                    |                    |
| Provisions  | 26.62                | 183.87             | 210.50             | 31.70                | 274.67             | 306.37             |
| Deferred tax liabilities (Net)                    | 188.82               |                    | 188.82             | -                    | -                  | -                  |
| Other non-financial liabilities                   | 179.07               |                    | 179.07             | 99.50                | -                  | 99.50              |
| <b>Sub total</b>                                  | <b>394.51</b>        | <b>183.87</b>      | <b>578.38</b>      | <b>131.20</b>        | <b>274.67</b>      | <b>405.87</b>      |
| <b>Total liabilities</b>                          | <b>1,00,007.67</b>   | <b>1,07,171.97</b> | <b>2,07,179.64</b> | <b>73,004.24</b>     | <b>60,084.52</b>   | <b>1,33,088.76</b> |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**34 Changes in liabilities arising from financing activities**

| Particulars                          | As at<br>March 31, 2022 | Cash Flows<br>(net) | Others<br>(net)*  | As at<br>March 31, 2023 |
|--------------------------------------|-------------------------|---------------------|-------------------|-------------------------|
| Subordinated liabilities             | 6,003.44                | 10,500.00           | (158.39)          | 16,345.05               |
| Debt securities                      | 15,186.48               | 3,600.00            | 52.07             | 18,838.55               |
| Borrowing other than debt securities | 1,09,462.84             | 60,356.30           | (1,322.82)        | 1,68,496.31             |
|                                      | <b>1,30,652.75</b>      | <b>74,456.30</b>    | <b>(1,429.14)</b> | <b>2,03,679.91</b>      |

| Particulars                          | As at<br>March 31, 2021 | Cash Flows<br>(net) | Others<br>(net)*  | As at<br>March 31, 2022 |
|--------------------------------------|-------------------------|---------------------|-------------------|-------------------------|
| Subordinated liabilities             | 5,986.80                | -                   | 16.65             | 6,003.44                |
| Debt securities                      | 33,687.94               | (17,950.00)         | (551.48)          | 15,186.48               |
| Borrowing other than debt securities | 85,755.90               | 29,638.55           | (5,931.61)        | 1,09,462.84             |
|                                      | <b>1,25,430.64</b>      | <b>11,688.55</b>    | <b>(6,466.44)</b> | <b>1,30,652.75</b>      |

\* Others column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees and cash flows from securitisation etc.



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**35 Employee Stock Option Plan (ESOP)**

The Company had granted 5,62,860 Equity shares (face value of INR 10/- each) under Employee Stock Option Plan 2019 on June 11, 2019 to the employees of IKF Finance Limited. The shares will vest gradually and vesting of these shares is dependent on continued employment with the company.

**A. Expenses arising from share-based payment transactions**

Total expenses arising from equity - settled share-based payment transaction recognised in profit or loss as part of employee benefit expense for the year ended March 31, 2023 is INR (4.00) lakhs (March 31, 2022 - INR (6.03) lakhs).

**B. Movement during the year**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| Particulars               | As at March 31, 2023 | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2022 |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
|                           | Number               | WAEP                 | Number               | WAEP                 |
| Outstanding at 1 April    | 2,06,000.00          | 120.00               | 3,56,930.00          | 120.00               |
| Granted during the year   | -                    |                      | -                    |                      |
| Forfeited during the year | 59,200.00            | 120.00               | 1,50,930.00          | 120.00               |
| Exercised during the year | -                    |                      | -                    |                      |
| Expired during the year   | -                    |                      | -                    |                      |
| Outstanding at 31 March   | 1,46,800.00          | 120.00               | 2,06,000.00          | 120.00               |
| Exercisable at 31 March   | 1,02,760.00          | 120.00               | 92,700.00            | 120.00               |

No Share options granted during the year. No options were vested or exercised during the year.

The weighted average remaining contractual life for the share options outstanding as at March 31, 2023 is 0.15 years (March 31, 2022: 0.58 years).

The weighted average fair value of options granted during the year ending March 31, 2020 was 14.79

**C. Fair value of options granted**

The weighted average fair value of options granted during the year ending March 31, 2020 was 14.79. The fair value of options was determined using the Black Scholes Model using the following Inputs as follows :

| Particulars  | As at March 31, 2023     | As at March 31, 2022     |
|--|--------------------------|--------------------------|
| Weighted average fair values at the measurement date | 14.79                    | 14.79                    |
| Expected volatility (%)                              | 0.36%                    | 0.36%                    |
| Risk-free interest rate (%)                          | 4.50%                    | 4.50%                    |
| Expected life of share options/SARs (years)          | 1.30 years to 4.30 years | 1.30 years to 4.30 years |
| Weighted average share price (INR)                   | 120.00                   | 120.00                   |

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.



## **IKF Finance Limited**

### **Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

#### **36 Contingent liabilities and commitments**

In the ordinary course of business, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel, wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The Company believes that the outcome of these proceedings will not have a materially adverse effect on the Company's financial position and results of operations.

##### **36.1 Contingent Liability**

There are no Contingent Liabilities as on March 31, 2023 (March 31, 2022: INR 0.)

##### **36.2 Commitment**

There are no commitment as on March 31, 2023 (March 31, 2022: INR 0.)





## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 37 Leases

##### Company as a Lessee

The Company's lease asset classes primarily consist of leases for office spaces. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases). For these short-term leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Following are the changes in the carrying value of right of use assets

| Particulars     | As at March 31, 2023 | As at March 31, 2022 |
|-----------------|----------------------|----------------------|
| Opening         | 10.78                | 24.77                |
| Additions       | 399.37               | 4.92                 |
| Deletion        | -                    | (0.74)               |
| Depreciation    | (139.86)             | (18.17)              |
| Closing Balance | 270.29               | 10.78                |

The following is the movement in lease liabilities :

| Particulars                            | As at March 31, 2023 | As at March 31, 2022 |
|--|----------------------|----------------------|
| Balance at the beginning               | 11.61                | 26.68                |
| Additions                              | 380.28               | 4.80                 |
| Finance cost accrued during the period | 33.63                | 2.12                 |
| Payment of lease liabilities           | (147.12)             | (21.99)              |
| Balance at the end                     | 278.39               | 11.61                |

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

| Particulars                   | As at March 31, 2023 | As at March 31, 2022 |
|-------------------------------|----------------------|----------------------|
| Less than 3 months            | 38.51                | 2.61                 |
| Over 3 months & upto 6 months | 38.51                | 2.76                 |
| Over 6 months & upto 1 year   | 77.05                | 3.18                 |
| Over 1 year & upto 3 years    | 164.28               | 9.81                 |
| Over 3 years                  | -                    | 6.41                 |

The following are the amounts recognised in statement of profit or loss:

| Particulars                                 | As at March 31, 2023 | As at March 31, 2022 |
|---|----------------------|----------------------|
| Depreciation expense of right-of-use assets | 139.86               | 18.17                |
| Interest expense on lease liabilities       | 33.63                | 2.12                 |
| Expense relating to short-term leases       | 245.30               | 200.31               |
| Total amount recognised in profit or loss   | 418.79               | 220.60               |

Future Commitments:

| Particulars  | As at March 31, 2023 |
|--|----------------------|
| Future undiscounted lease payments for which the leases have not yet commenced | -                    |

##### Extension / Termination Options:

Some of the leases contain extension and termination options. Such options are taken into account in the determination of the lease term only if extension or non-termination can be assumed with reasonable certainty. On this basis, there were no such amounts included in the measurement of lease liabilities as at March 31, 2023.



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**38 Capital Management**

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements iron its regulators and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

**39 Analytical Ratios**

| Particulars                                  | As at<br>March 31, 2023 |             |        | As at<br>March 31, 2022 | %<br>Variance | Reasons for<br>Variance<br>(if above 25%)   |
|--|-------------------------|-------------|--------|-------------------------|---------------|---|
|  | Numerator               | Denominator | Ratio  | Ratio                   |               |   |
| Capital to Risk Weighted Assets Ratio (CRAR) | 80,338.70               | 243322.36   | 33.02% | 24.11%                  | 36.95%        | Increase on account of New equity raised during the year<br>Increase on account of new tier II Capital raised during the year |
| Tier I CRAR                                  | 63,863.99               | 243322.36   | 26.25% | 21.55%                  | 21.79%        |   |
| Tier II CRAR                                 | 16,474.70               | 243322.36   | 6.77%  | 2.56%                   | 164.62%       |   |
| Liquidity Coverage Ratio                     |                         |             | NA     | NA                      |               |   |

Note: As per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, liquidity coverage ratio is not applicable on the company.



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**40 Fair Value Measurement:**
**A. Valuation Principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques:

**Level 1** - Valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that Company can access at the measurement date.

**Level 2** - Valuation technique using observable inputs: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.

**Level 3** - Valuation technique with significant unobservable inputs: Those that include one or more unobservable input that is significant to the measurement as whole.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value

| Particulars                            | Fair Value |                      | Fair Value Hierarchy | Valuation Technique | Key Inputs for Level 2 & Level 3                                      | Significant unobservable input(s) for Level 3 |
|--|------------|----------------------|----------------------|---------------------|---|---|
|  | Category   | As at March 31, 2023 | As at March 31, 2022 |                     |   |   |
| Investment in Market Linked Debentures | FVTPL      | 15,960.75            | 0.00                 | Level 2             | Mark-to-Market of the debt instrument received from the rating agency | NA  |

**B. Fair value of financial instrument not measured at fair value:**

The table below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

| Particulars                                       | Level | Carrying value       |                      | Fair value           |                      |
|---|-------|----------------------|----------------------|----------------------|----------------------|
|   |       | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2023 | As at March 31, 2022 |
| <b>Financial Assets</b>                           |       |                      |                      |                      |                      |
| Cash and cash equivalents                         | 1     | 23,039.43            | 3,377.21             | 23,039.43            | 3,377.21             |
| Bank Balance other than cash and cash equivalents | 1     | 5,573.17             | 2,208.65             | 5,573.17             | 2,208.65             |
| Loans   | 2     | 210,754.51           | 156,325.40           | 212,021.80           | 161,025.03           |
| Rent and utility deposits                         | 2     | 239.69               | 217.70               | 239.69               | 217.70               |
| EIS receivable                                    | 2     | 1,926.33             | 1,450.27             | 1,926.33             | 1,450.27             |
| Other financial assets                            | 2     | 85.55                | 132.99               | 85.55                | 132.99               |
| Investment in debentures                          | 2     | 4,087.07             | -                    | 4,087.07             | -                    |
|   |       | <b>245,705.75</b>    | <b>163,712.21</b>    | <b>246,973.05</b>    | <b>168,411.85</b>    |
| <b>Financial Liabilities</b>                      |       |                      |                      |                      |                      |
| Debt securities                                   | 2     | 18,838.54            | 15,186.47            | 19,252.78            | 15,506.33            |
| Borrowings (other than debt securities)           | 2     | 168,496.32           | 109,462.84           | 168,231.86           | 109,459.96           |
| Subordinated Liabilities                          | 2     | 16,345.06            | 6,003.45             | 16,458.38            | 6,099.99             |
| Other financial liabilities                       | 2     | 2,921.34             | 2,030.13             | 2,921.34             | 2,030.13             |
| <b>Total Financial liabilities</b>                |       | <b>206,601.26</b>    | <b>132,682.89</b>    | <b>206,864.36</b>    | <b>133,096.40</b>    |

Investment in subsidiary is measured at cost in accordance with Ind AS 27.

**Valuation Methodologies of Financial Instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables and, as such, may differ from the techniques and assumptions explained in notes.

**Short Term Financial Assets and Liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables, rent and utility deposits and other financial liabilities.

**Loans and advances to customers**

The fair values of loans are estimated by discounted cash flow models based on contractual cash flows using actual or estimated yields.

**Borrowings other than debt securities, Debt securities and Subordinated liabilities**

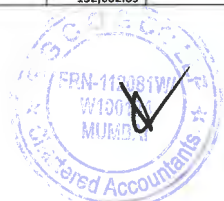
The fair value of issued debt is estimated by a discounted cash flow model incorporating the Company's own credit risk.

**EIS receivable**

EIS receivable is calculated by discounting the contractual future cash flows. The carrying value closely approximates its fair value.

**C. Categories of Financial Instruments :**

| Particulars                                   | As at March 31, 2023 |                                      |                  |                   |
|---|----------------------|--------------------------------------|------------------|-------------------|
|   | Amortised cost       | At Fair Value Through profit or loss | At Deemed Cost   | Total             |
| Cash and cash equivalents                     | 23,039.43            | -                                    | -                | 23,039.43         |
| Bank Balance other than included in (a) above | 5,573.17             | -                                    | -                | 5,573.17          |
| Loans   | 210,754.51           | -                                    | -                | 210,754.51        |
| Investments                                   | 4,087.07             | 15,960.75                            | 10,762.73        | 30,810.55         |
| Other financial assets                        | 2,251.57             | -                                    | -                | 2,251.57          |
| <b>Total</b>                                  | <b>245,705.75</b>    | <b>15,960.75</b>                     | <b>10,762.73</b> | <b>272,429.23</b> |
| Debt securities                               | 18,838.54            | -                                    | -                | 18,838.54         |
| Borrowings (other than debt securities)       | 168,496.32           | -                                    | -                | 168,496.32        |
| Subordinated Liabilities                      | 16,345.06            | -                                    | -                | 16,345.06         |
| Other financial liabilities                   | 2,921.34             | -                                    | -                | 2,921.34          |
| <b>Total</b>                                  | <b>206,601.26</b>    | <b>-</b>                             | <b>-</b>         | <b>206,601.26</b> |
| Particulars                                   | As at March 31, 2022 |                                      |                  |                   |
|   | Amortised cost       | At Fair Value Through profit or loss | At Deemed Cost   | Total             |
| Cash and cash equivalents                     | 3,377.21             | -                                    | -                | 3,377.21          |
| Bank Balance other than included in (a) above | 2,208.65             | -                                    | -                | 2,208.65          |
| Loans   | 156,325.40           | -                                    | -                | 156,325.40        |
| Investments                                   | -                    | -                                    | 6,252.92         | 6,252.92          |
| Other financial assets                        | 1,800.96             | -                                    | -                | 1,800.96          |
| <b>Total</b>                                  | <b>163,712.22</b>    | <b>-</b>                             | <b>6,252.92</b>  | <b>169,965.14</b> |
| Debt securities                               | 15,186.47            | -                                    | -                | 15,186.47         |
| Borrowings (other than debt securities)       | 109,462.84           | -                                    | -                | 109,462.84        |
| Subordinated Liabilities                      | 6,003.45             | -                                    | -                | 6,003.45          |
| Other financial liabilities                   | 2,030.13             | -                                    | -                | 2,030.13          |
| <b>Total</b>                                  | <b>132,682.89</b>    | <b>-</b>                             | <b>-</b>         | <b>132,682.89</b> |



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 41 Risk management

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Board of Directors of the Company are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Company has a risk management policy which covers all the risk associated with its assets and liabilities.

##### 41.1 Introduction and Risk Profile

###### Risk management and mitigation

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment, as necessary.

The Company's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

It is the Company's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Company is exposed to that they decide to take on. The Company's continuous training and development emphasises that employees are made aware of the Company's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Company's risk appetite limits.

The Company is generally exposed to credit risk, liquidity risk, market risk, prepayment risk and operational risk.

##### 41.2 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit department of the Company. It is their responsibility to review and manage credit risk. Credit risk consists of line credit managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

###### Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of significant accounting policies.

###### Definition of default and cure

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss (ECL) calculations in all cases when the borrower becomes more than 3 months past due on its contractual payments.

The staging criteria used by the Company is as below:

| Loans months past due       | Stage   |
|-----------------------------|---------|
| Upto 1 month                | Stage 1 |
| Between 1 month to 3 months | Stage 2 |
| More than 3 months          | Stage 3 |

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes past due for more than 3 months on its contractual payments.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the due amount have been paid. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

###### Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### Probability of default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD

#### Loss given Default (LGD)

LGD is the estimated loss that the Company might bear if the borrower defaults. The Company determines its recovery (net present value) by analysing the recovery trends, borrower rating, collateral value and expected proceeds from sale of asset.

LGD Rates have been computed internally based on the discounted recoveries in defaulted accounts that are closed/ written off/ repossessed and upgraded during the year.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

#### Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs in order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL. The Company assesses whether there has been an event which could cause a significantly increase in the credit risk of the underlying asset or the customers ability to pay and accordingly change the 12 month ECL to a lifetime ECL.

If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

#### Concentration of Credit Risk

Company's loan portfolio is predominantly to finance commercial vehicle loans. The Company manages concentration of risk primarily by geographical region. The following tables show the region-wise concentrations of net terms loans.

| Geography | March 31, 2023.    | March 31, 2022.    |
|-----------|--------------------|--------------------|
| West      | 59,658.29          | 37,808.22          |
| Central   | 8,709.95           | 5,531.19           |
| South     | 1,45,276.32        | 1,15,969.36        |
|           | <b>2,13,644.56</b> | <b>1,59,308.77</b> |

#### Quantitative Information of Collateral

Net value of total term loans to value of collateral is as follows:

| As at March 31, 2023   | Loan to value    |                  |                  |                    |
|------------------------|------------------|------------------|------------------|--------------------|
|                        | Upto 50%         | 51%-70%          | More than 70%    | Total              |
| Cars & Muvs            | 1130.94          | 23,463.73        | 12,695.19        | 37,289.86          |
| Commercial Vehicles    | 1,578.17         | 31,736.73        | 29,246.64        | 62,561.54          |
| Construction Equipment | 4,047.76         | 17,681.56        | 23,318.34        | 45,047.66          |
| Three Wheeler          | 34.88            | 10,852.93        | 1,572.51         | 12,460.32          |
| Tractor                | 152.27           | 2,362.86         | 408.85           | 2,923.98           |
| Two Wheeler            | 894.05           | 1,080.67         | 462.34           | 2,437.06           |
| SME                    | 39,829.78        | 4,335.27         | 6,759.09         | 50,924.14          |
| <b>Total</b>           | <b>47,667.85</b> | <b>91,513.75</b> | <b>74,462.96</b> | <b>2,13,644.56</b> |





**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

| As at March 31, 2022   | Loan to value    |                  |                  |                    |
|------------------------|------------------|------------------|------------------|--------------------|
|                        | Upto 50%         | 51%-70%          | More than 70%    | Total              |
| Cars & Muvs            | 1,224.12         | 19,288.11        | 10,382.32        | 30,894.55          |
| Commercial Vehicles    | 2,350.49         | 28,154.20        | 14,292.21        | 44,796.91          |
| Construction Equipment | 3,477.80         | 14,367.04        | 12,146.46        | 29,991.30          |
| Three Wheeler          | 48.26            | 9,201.86         | 1,808.16         | 11,058.28          |
| Tractor                | 203.45           | 2,018.47         | 381.49           | 2,603.41           |
| Two Wheeler            | 1,139.12         | 1,041.94         | 772.97           | 2,954.04           |
| SME                    | 6,491.94         | 4,304.85         | 26,213.51        | 37,010.29          |
| <b>Total</b>           | <b>14,935.19</b> | <b>78,376.45</b> | <b>65,997.12</b> | <b>1,59,308.77</b> |

**41.3 Liquidity Risk**

In assessing the Company's liquidity position, consideration shall be given to: (1) present and anticipated asset quality (2) present and future earnings capacity (3) historical funding requirements (4) current liquidity position (5) anticipated future funding needs, and (6) sources of funds. The Company maintains a portfolio of marketable assets that are assumed to be easily liquidated and undrawn cash credit limits which can be used in the event of an unforeseen interruption in cash flow. The Company also enters into securitization deals (direct assignment as well as pass through certificates) of their loan portfolio, the funding from which can be accessed to meet liquidity needs. Net liquid assets consist of cash and short-term bank deposits. Borrowings from banks and financial institutions and issue of Non convertible debentures are considered as important sources of funds to finance lending to customers.

**Analysis of financial assets and liabilities by remaining contractual maturities:**

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at March 31, 2023.

| Particulars  | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years     | Total              |
|--|--------------------|-------------------------------|-----------------------------|----------------------------|------------------|--------------------|
| <b>Financial assets</b>                                  |                    |                               |                             |                            |                  |                    |
| Cash and cash equivalents                                | 6,239.43           | -                             | 16,800.00                   | -                          | -                | 23,039.43          |
| Bank Balance other than included in (a) above            | 3,587.71           | 514.95                        | 294.64                      | 1,389.27                   | -                | 5,786.57           |
| Loans  | 24,272.24          | 27,193.57                     | 52,365.27                   | 1,39,232.39                | 24,521.28        | 2,67,584.76        |
| Investments  | 20,047.82          | -                             | -                           | -                          | 10,762.73        | 30,810.55          |
| Other financial assets                                   | 521.66             | 385.06                        | 580.15                      | 692.05                     | 254.36           | 2,433.27           |
| <b>Total undiscounted financial assets</b>               | <b>54,668.86</b>   | <b>28,093.58</b>              | <b>70,040.06</b>            | <b>1,41,313.70</b>         | <b>35,538.36</b> | <b>3,29,654.57</b> |
| <b>Financial liabilities</b>                             |                    |                               |                             |                            |                  |                    |
| Subordinated Liabilities                                 | 566.01             | 571.32                        | 1,137.10                    | 4,539.82                   | 20,644.59        | 27,458.84          |
| Debt securities  | 6,310.82           | 2,983.62                      | 7,116.57                    | 3,732.82                   | -                | 20,143.83          |
| Borrowings (other than debt securities)                  | 20,277.82          | 17,255.58                     | 56,758.18                   | 85,377.77                  | 11,035.39        | 1,90,704.73        |
| Other financial liabilities                              | 2,470.62           | 55.10                         | 123.90                      | 279.57                     | 51.21            | 2,980.40           |
| <b>Total undiscounted financial liabilities</b>          | <b>29,625.26</b>   | <b>20,865.62</b>              | <b>65,135.76</b>            | <b>93,929.97</b>           | <b>31,731.19</b> | <b>2,41,287.80</b> |
| <b>Net undiscounted financial assets / (liabilities)</b> | <b>25,043.60</b>   | <b>7,227.96</b>               | <b>4,904.30</b>             | <b>47,383.73</b>           | <b>3,807.17</b>  | <b>88,366.77</b>   |

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at March 31, 2022.

| Particulars  | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years     | Total              |
|--|--------------------|-------------------------------|-----------------------------|----------------------------|------------------|--------------------|
| <b>Financial assets</b>                                  |                    |                               |                             |                            |                  |                    |
| Cash and cash equivalents                                | 3,377.21           | -                             | -                           | -                          | -                | 3,377.21           |
| Bank Balance other than included in (a) above            | 267.49             | 906.32                        | 122.85                      | 999.25                     | -                | 2,295.91           |
| Loans  | 32,748.04          | 19,308.14                     | 33,438.99                   | 96,340.47                  | 16,332.84        | 1,98,168.48        |
| Investments  | -                  | -                             | -                           | -                          | 6,252.92         | 6,252.92           |
| Other financial assets                                   | 493.84             | 292.83                        | 440.36                      | 480.51                     | 221.30           | 1,928.84           |
| <b>Total undiscounted financial assets</b>               | <b>36,886.58</b>   | <b>20,507.29</b>              | <b>34,002.20</b>            | <b>97,820.23</b>           | <b>22,807.06</b> | <b>2,12,023.36</b> |
| <b>Financial liabilities</b>                             |                    |                               |                             |                            |                  |                    |
| Subordinated Liabilities                                 | 198.70             | 1,696.45                      | 304.02                      | 1,221.46                   | 5,084.17         | 8,504.80           |
| Debt securities  | 1,949.37           | 377.48                        | 2,640.40                    | 12,296.95                  | -                | 17,264.20          |
| Borrowings (other than debt securities)                  | 13,263.27          | 10,566.57                     | 49,799.03                   | 44,216.10                  | 4,158.98         | 1,22,003.95        |
| Other financial liabilities                              | 1,723.42           | 18.60                         | 77.09                       | 275.92                     | -                | 2,095.03           |
| <b>Total undiscounted financial liabilities</b>          | <b>17,134.76</b>   | <b>12,659.10</b>              | <b>52,820.54</b>            | <b>58,010.43</b>           | <b>9,243.15</b>  | <b>1,49,867.98</b> |
| <b>Net undiscounted financial assets / (liabilities)</b> | <b>19,751.82</b>   | <b>7,848.19</b>               | <b>(18,818.34)</b>          | <b>39,809.80</b>           | <b>13,563.91</b> | <b>62,155.38</b>   |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

| Particulars  | On demand | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years |
|--|-----------|--------------------|-------------------------------|-----------------------------|----------------------------|--------------|
| <b>As at March 31, 2023</b>  |           |                    |                               |                             |                            |              |
| Guarantees and counter guarantees  | -         | -                  | -                             | -                           | -                          | -            |
| Estimated amount of contracts remaining to be executed on capital account, net of advances | -         | -                  | -                             | -                           | -                          | -            |
| <b>Total commitments</b>   | -         | -                  | -                             | -                           | -                          | -            |
| <b>As at March 31, 2022</b>  |           |                    |                               |                             |                            |              |
| Guarantees and counter guarantees  | -         | -                  | -                             | -                           | -                          | -            |
| Estimated amount of contracts remaining to be executed on capital account, net of advances | -         | -                  | -                             | -                           | -                          | -            |
| <b>Total commitments</b>   | -         | -                  | -                             | -                           | -                          | -            |

**41.4 Market Risk**

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity, and other market changes. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss and reduce our exposure to the volatility inherent in financial instruments. There are broadly two types of market risks: (1) Interest rate risk, and (2) Price risk. The Company has not made investments in quoted equity instruments or other quoted investments and hence is not exposed to Equity price risk. Interest rate risk is discussed below:

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk, primarily since it lends to customers at fixed rates and for maturity periods shorter than the funding sources.

The Company has taken borrowings at floating rates gives rise to interest rate risk. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Company seek to optimize borrowing profile between short-term and long-term loans. The Company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities. The Interest Rate Risk is mitigated by availing funds at very competitive rates through diversified borrowings and for different tenors.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before taxes affected through the impact on floating rate borrowings are as follows:

| Impact on Profit before taxes       | As at March 31, 2023 | As at March 31, 2022 |
|-------------------------------------|----------------------|----------------------|
| <b>On Floating Rate Borrowings:</b> |                      |                      |
| 1% increase in interest rates       | (1,215.02)           | (523.75)             |
| 1% decrease in interest rates       | 1,215.02             | 523.75               |

**41.5 Prepayment risk**

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans like ours when interest rates fall.

**41.6 Operational and business risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.



**IKF Finance Limited**

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

**42 Related Party Disclosure****a. Name of related party and nature of relationship:**

|  |  |
|--|--|
| Enterprises having a significant influence   | India Business Excellence Fund -IIA<br>Vistra ITCL (India) Limited (formerly known as IL and FS trust Company Limited)<br>(Trustee of Business Excellence Trust -II - India Business Excellence Fund - II)   |
| Subsidiary   | IKF Home Finance Limited<br>(formerly known as IKF Housing Finance Private Limited)  |
| Enterprises in which directors are interested  | SVR Finance & Leasing Private Limited  |
| Enterprises significantly influenced by Key Management Personnel and their relatives | IKF Infratech Private Limited  |
| Relative of Key Management Personnel   | Mrs. D. Vasantha Lakshmi<br>Mr. V. Raghu Ram<br>Mr. Sinha Satyanand Chunduri<br>Mrs. Durga Rani Chunduri   |
| Key Management Personnel (KMP)   | Mr V.G.K.Prasad — Chairman<br>Mrs. V. Indira Devi — Whole time Director<br>Mrs. K Vasumathi Devi — Managing Director<br>Mr.Sreepal Gulabchand Jain-Chief Financial Officer(Upto 10th February 2023)<br>Mr. Ch.Sreenivasa Rao - Company Secretary and Chief Financial Officer |



42. Related Party Disclosure (continued)

b. Transaction with related parties:

| Name of related party   |  | Nature of transaction                                     | For the FY 2022             |                         |                         | For the FY 2023  |                             |                         | As at<br>March 31, 2023 |          |
|---|--|---|-----------------------------|-------------------------|-------------------------|--|-----------------------------|-------------------------|-------------------------|----------|
| As at<br>March 31, 2021   | Transaction value<br>for the year<br>ended March 31,<br>2022 |   | Received During<br>the year | Paid During The<br>year | As at<br>March 31, 2022 | Transaction value<br>for the year<br>ended March 31,<br>2023 | Received During<br>the year | Paid During the<br>Year |                         |          |
| Key management personnel  | Mr. V G K Prasad   | Rent paid   | -                           | 21.60                   | -                       | -  | -                           | 21.60                   | -                       | -        |
|   |  | Director's remuneration                                   | -                           | 75.83                   | -                       | -  | -                           | 84.00                   | -                       | -        |
|   |  | Director Commission Payable                               | 41.55                       | 51.02                   | -                       | 41.55  | 51.02                       | 63.27                   | -                       | 51.02    |
|   |  | Rent deposit given  | 50.00                       | -                       | -                       | -  | 50.00                       | -                       | -                       | 50.00    |
|   |  | Advance Received  | -                           | -                       | -                       | -  | -                           | -                       | -                       | -        |
|   |  | Interest paid on advance                                  | -                           | -                       | -                       | -  | -                           | -                       | -                       | -        |
|   |  | Share Capital (INR 10/- Paid up)                          | 1587.56*                    | -                       | -                       | -  | 1974.32*                    | -                       | -                       | 1985.36* |
|   |  | Party paid up shares (Rs 10 Paid Up) **                   | 283.97                      | -                       | 66.61                   | -  | -                           | -                       | -                       | -        |
|   |  | Premium Received on Allotment of Partly Paid up Shares ** | 1,777.38                    | -                       | 416.92                  | -  | -                           | -                       | -                       | -        |
|   |  | Rent paid   | -                           | 48.00                   | -                       | -  | -                           | 48.00                   | -                       | -        |
| Mrs. V Indira Devi  | Director's remuneration                                      | -   | 32.50                       | -                       | -                       | -  | 36.00                       | -                       | -                       |          |
|   | Director Commission Payable                                  | 17.68   | 21.71                       | -                       | 17.68                   | 21.71  | 26.92                       | -                       | 21.71                   |          |
|   | Rent deposit given   | 38.50   | -                           | -                       | -                       | 38.50  | -                           | -                       | 38.50                   |          |
|   | Share Capital (INR 10/- Paid up)                             | 132.69  | -                           | -                       | -                       | 164.81   | -                           | -                       | 164.81                  |          |
|   | Party paid up shares (Rs 10 Paid Up) **                      | 26.02   | -                           | 6.10                    | -                       | -  | -                           | -                       | -                       |          |
|   | Premium Received on Allotment of Partly Paid up Shares **    | 162.86  | -                           | 38.20                   | -                       | -  | -                           | -                       | -                       |          |
|   | Director's remuneration                                      | -   | 54.17                       | -                       | -                       | -  | 60.00                       | -                       | -                       |          |
|   | Director Commission Payable                                  | 29.17   | 35.82                       | -                       | 29.17                   | 35.82  | 44.42                       | -                       | 35.82                   |          |
|   | Share Capital (INR 10/- Paid up)                             | 213.13  | -                           | -                       | -                       | 264.73   | -                           | -                       | 264.73                  |          |
|   | Party paid up shares (Rs 10 Paid Up) **                      | 41.79   | -                           | 9.80                    | -                       | -  | -                           | -                       | -                       |          |
| Mrs.K.Vasumathi Devi  | Premium Received on Allotment of Partly Paid up Shares **    | 261.59  | -                           | 61.36                   | -                       | -  | -                           | -                       | -                       |          |
|   | Salary Paid  | -   | 51.05                       | -                       | -                       | -  | 55.40                       | -                       | -                       |          |
| Mr.Sreepal Gulabchand Jain  | Salary Paid  | -   | 23.10                       | -                       | -                       | -  | 25.41                       | -                       | -                       |          |
|   | Staff Loan   | -   | (10.00)                     | 10.00                   | -                       | -  | -                           | -                       | -                       |          |
| Mr.Ch.Sreenivasa Rao  | Interest Received  | -   | 0.04                        | -                       | -                       | -  | -                           | -                       | -                       |          |
|   | ESOP Compensation  | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |
| Relatives of key management personnel   |  |   |                             |                         |                         |  |                             |                         |                         |          |
| Mrs. D Vasantha Lakshmi   | Share Capital (INR 10/- Paid up)                             | 200.61  | -                           | -                       | -                       | 249.18   | -                           | -                       | 249.18                  |          |
|   | Party paid up shares (Rs 10 Paid Up) **                      | 39.34   | -                           | 9.23                    | -                       | -  | -                           | -                       | -                       |          |
|   | Premium Received on Allotment of Partly Paid up Shares **    | 246.23  | -                           | 57.76                   | -                       | -  | -                           | -                       | -                       |          |
|   | Purchase of IKF Home Finance Limited Shares                  | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |
| Mr. V Raghu Ram   | Share Capital (INR 10/- Paid up)                             | 144.97  | -                           | -                       | -                       | 180.07   | -                           | -                       | 180.07                  |          |
|   | Party paid up shares (Rs 10 Paid Up) **                      | 28.43   | -                           | 6.67                    | -                       | -  | -                           | -                       | -                       |          |
|   | Premium Received on Allotment of Partly Paid up Shares **    | 177.93  | -                           | 41.74                   | -                       | -  | -                           | -                       | -                       |          |
|   | Share Capital (INR 10/- Paid up)                             | 11.77   | -                           | -                       | -                       | 11.77  | -                           | -                       | 11.77                   |          |
| Mrs. Sinha Satyanand Chunduri   | Share Capital (INR 10/- Paid up)                             | 149.41  | -                           | -                       | -                       | 149.41   | -                           | -                       | 149.41                  |          |
|   | Share Capital (INR 10/- Paid up)                             | -   | -                           | -                       | -                       | -  | -                           | (400.00)                | 400.00                  |          |
|   | Loan given   | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |
|   | Interest Received  | -   | -                           | -                       | -                       | -  | 1.42                        | -                       | -                       |          |
| Mrs. Durga Rani Chunduri  | Inter Corporate deposits taken ***                           | -   | -                           | (48,200.00)             | 48,200.00               | -  | (27,000.00)                 | 27,000.00               | -                       |          |
|   | Interest Paid  | -   | 265.90                      | -                       | -                       | -  | 126.42                      | -                       | -                       |          |
|   | Direct Assignment  | 3,487.22  | -                           | (704.24)                | -                       | 2,782.98   | (803.10)                    | -                       | 1,979.88                |          |
|   | Interest Receivable on Direct Assignment                     | 22.85   | 441.76                      | (430.15)                | -                       | 34.46  | 313.39                      | (318.87)                | 28.98                   |          |
| IKF Home Finance Limited  | Investments in equity shares by IKF Finance Ltd.,            | 4,525.10  | -                           | -                       | 1,727.82                | 6,252.92   | -                           | -                       | 10,762.73               |          |
|   | Investments in equity shares Refundable                      | -   | -                           | -                       | 1.75                    | 1.75   | -                           | -                       | -                       |          |
|   | Service Fee Collected  | -   | 28.89                       | -                       | -                       | -  | 28.35                       | -                       | -                       |          |
|   | Service Fee Paid   | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |
| Enterprises significantly influenced by key management personnel or their relatives | Purchase of IKF Home Finance Limited Shares                  | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |
|   | Non Convertible Debentures                                   | 58.20*  | -                           | -                       | 58.20                   | -  | -                           | -                       | -                       |          |
|   | Interest Paid  | 1.38  | 0.76                        | -                       | 2.14                    | -  | -                           | -                       | -                       |          |
|   | IKF Infotech Private Limited                                 | -   | -                           | -                       | -                       | -  | -                           | -                       | -                       |          |





42 Related Party Disclosure (continued)

b. Transaction with related parties:

| Transaction with related parties.                    |   |                         |  |                             |                         |                         |  |                             |                         |  |                             |                         |                         |
|--|---|-------------------------|--|-----------------------------|-------------------------|-------------------------|--|-----------------------------|-------------------------|--|-----------------------------|-------------------------|-------------------------|
| Name of related party                                | Nature of transaction   | For the FY 2021         |  |                             | For the FY 2022         |                         |  | For the FY 2023             |                         |  |                             |                         |                         |
|  |   | As at<br>March 31, 2021 | Transaction value<br>for the year<br>ended March 31,<br>2021 | Received During<br>the year | Paid During The<br>year | As at<br>March 31, 2022 | Transaction value<br>for the year<br>ended March 31,<br>2022 | Received During<br>the year | Paid During the<br>Year | Transaction value<br>for the year<br>ended March 31,<br>2023 | Received During<br>the year | Paid During the<br>Year | As at<br>March 31, 2023 |
| <b>Enterprises in which Directors are interested</b> |   |                         |  |                             |                         |                         |  |                             |                         |  |                             |                         |                         |
| SVR Finance & Leasing Private Limited                | Trade Advance   | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | -                       |
| <b>Enterprises having a significant Influence</b>    |   |                         |  |                             |                         |                         |  |                             |                         |  |                             |                         |                         |
| India Business Excellence Fund-IIA                   | Share Capital (INR 10/- Paid up)  | 1,305.16                | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | 1,305.16                |
|  | Share Premium   | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | -                       |
|  | Compulsorily Convertible Preference Shares of Rs 100/- Each<br>(Converted into equity shares during the FY 2018-19) | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | -                       |
| Vistra ITCL (India) Limited (formerly                | Share premium on preference Shares  | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | -                       |
|  | Share Capital (INR 10/- Paid up)  | 780.40                  | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | 780.40                  |
|  | Share premium on preference shares  | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -  | -                           | -                       | -                       |

| Particulars                  | As at March 31, 2023 | As at March 31, 2022 |
|------------------------------|----------------------|----------------------|
| Short-term employee benefits | 395.42               | 345.20               |
| Post-employment benefits#    | -                    | -                    |
| Long-term employee benefits  | -                    | -                    |
| Termination benefits         | -                    | -                    |
| Employee-share based payment | -                    | -                    |
| <b>Total compensation</b>    | <b>395.42</b>        | <b>345.20</b>        |

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

\* The increased/decreased value is relating to purchase of shares/debentures from the public.

\*\* Partly paid shares are full paid and converted to fully paid equity Shares

\*\*\* Inter Corporate Deposits taken from IKF Home Finance Ltd are at interest of 8%

**Notes:**

(i) Transaction values are excluding taxes and duties.

(ii) Name of the related parties and nature of their relationships where control exists have been disclosed irrespective of whether or not there have been transactions with the Company. In other cases,

(iii) Related parties as defined under clause 9 of the Ind AS 24 'Related party disclosures' have been identified based on representations made by key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business

(iv) The Company has not granted loans or advances to promoters, directors, KMPs and the related parties (as defined under the Companies Act, 2013), either severally or jointly with any other person, that is repayable on demand or without specifying any terms or period of repayment for the financial years ended March 31, 2023 and March 31, 2022.





IKF Finance Limited

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

43 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13th March 2020 - Implementation of Indian Accounting Standards:

A comparison between provision required under IRACP and impairment allowances under Ind AS 109:

As at March 31, 2023

| Asset Classification as per RBI Norms   | Asset Classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as required under Ind AS 109 | Net Carrying Amount | Provision required as per IRACP norms* | Difference between Ind AS 109 provisions and IRACP norms |
|---|--|-------------------------------------|---|---------------------|--|--|
| (1)   | (2)                                    | (3)                                 | (4)   | (5)=(3)-(4)         | (6)                                    | (7)=(4)-(6)  |
| <b>Performing Assets</b>  |  |                                     |   |                     |  |  |
| Standard  | Stage 1                                | 1,69,430.51                         | 973.33  | 1,68,457.18         | 678.69                                 | 294.65   |
|   | Stage 2                                | 38,155.74                           | 711.90  | 37,443.83           | 151.10                                 | 560.80   |
| <b>Subtotal for Performing Assets</b>   |  | <b>2,07,586.24</b>                  | <b>1,685.23</b>   | <b>2,05,901.01</b>  | <b>829.79</b>                          | <b>855.45</b>  |
| <b>Non-Performing Assets (NPA)</b>  |  |                                     |   |                     |  |  |
| Substandard   | Stage 3                                | 2,337.17                            | 716.21  | 1,620.96            | 623.18                                 | 93.03  |
| Doubtful - upto 1 year  | Stage 3                                | 3,721.15                            | 572.00  | 3,149.15            | 351.53                                 | 220.47   |
| Doubtful - 1 to 3 years   | Stage 3                                | -                                   | -   | -                   | -                                      | -  |
| Doubtful - more than 3 years  | Stage 3                                | -                                   | -   | -                   | -                                      | -  |
| Loss  | Stage 3                                | -                                   | -   | -                   | -                                      | -  |
| <b>Subtotal for NPA</b>   |  | <b>6,058.32</b>                     | <b>1,288.21</b>   | <b>4,770.11</b>     | <b>974.71</b>                          | <b>313.50</b>  |
| Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms | Stage 1                                | -                                   | -   | -                   | -                                      | -  |
|   | Stage 2                                | -                                   | -   | -                   | -                                      | -  |
|   | Stage 3                                | -                                   | -   | -                   | -                                      | -  |
| <b>Subtotal for other items</b>   |  | <b>-</b>                            | <b>-</b>  | <b>-</b>            | <b>-</b>                               | <b>-</b>   |
| <b>Total</b>  | <b>Stage 1</b>                         | <b>1,69,430.51</b>                  | <b>973.33</b>   | <b>1,68,457.18</b>  | <b>678.69</b>                          | <b>294.65</b>  |
|   | <b>Stage 2</b>                         | <b>38,155.74</b>                    | <b>711.90</b>   | <b>37,443.83</b>    | <b>151.10</b>                          | <b>560.80</b>  |
|   | <b>Stage 3</b>                         | <b>6,058.32</b>                     | <b>1,288.21</b>   | <b>4,770.11</b>     | <b>974.71</b>                          | <b>313.50</b>  |
|   | <b>Total</b>                           | <b>2,13,644.56</b>                  | <b>2,973.44</b>   | <b>2,10,671.12</b>  | <b>1,804.50</b>                        | <b>1,168.95</b>  |

\* Provision required as per IRACP norms is excluding provision on interest income from Stage 3 loans.



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 44 RBI Disclosures

The following additional information is disclosed in the terms of Master Direction - Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 as amended.

##### 44.01 Capital to Risk Asset Ratio (CRAR)

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Tier I Capital  | 63,863.99               | 35,287.42               |
| Tier II Capital   | 16,474.70               | 4,189.64                |
| Total Capital   | 80,338.70               | 39,477.07               |
| Total Risk Weighted Assets                              | 2,43,322.35             | 1,63,803.75             |
| CRAR (%)  | 33.02%                  | 24.11%                  |
| CRAR - Tier I Capital (%)                               | 26.25%                  | 21.55%                  |
| CRAR - Tier II Capital (%)                              | 6.77%                   | 2.56%                   |
| Amount of subordinated debt raised as Tier - II Capital | 16,500.00               | 6,000.00                |
| Amount raised by issue of perpetual debt Instruments    | -                       | -                       |

"Tier I capital", "Tier II capital", "Owned fund" and Capital adequacy ratio are calculated as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and notification RBI/2019-20/170 DO R (NBFC).CC .PD.No.109/22.10.106/2019-20 "Implementation of Indian Accounting Standards" issued by RBI on March 13, 2020 as amended.

##### 44.02 Investments

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>(a) Value of Investments</b>  |                         |                         |
| (I) Gross value of investments   |                         |                         |
| (a) In India   | 30,810.55               | 6,252.92                |
| (a) Outside India  | -                       | -                       |
| (II) Provisions for Depreciation   |                         |                         |
| (a) In India   | -                       | -                       |
| (a) Outside India  | -                       | -                       |
| (III) Net value of investments   |                         |                         |
| (a) In India   | 30,810.55               | 6,252.92                |
| (a) Outside India  | -                       | -                       |
| <b>(b) Movements of provisions held towards impairment on investments</b>  |                         |                         |
| (I) Opening balance  | -                       | -                       |
| (II) Add : Provisions made during the year                                 | -                       | -                       |
| (III) Less : Write-off/ Written- back of excess provisions during the year | -                       | -                       |
| (IV) Closing balance   | -                       | -                       |

##### 44.03 Derivatives

The Company has not entered into any forward rate agreements, interest rate swaps, and exchange traded interest rate derivatives. Hence, no disclosure is made for the same



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**44.04 Disclosure Relating to Securitisation for STC Transactions as per Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021**

| Particulars  | As at<br>March 31, 2023                | As at<br>March 31, 2022                |
|--|--|--|
| (I) No of SPEs holding assets for securitisation transactions originated by the originator   | -                                      | 1.00                                   |
| (II) Total amount of securitised assets as per books of the SPEs   | -                                      | 1,104.05                               |
| (III) Total amount of exposure retained by the originator to comply with MRR as on date of balance sheet   |  |  |
| (a) Off-balance sheet exposure towards credit enhancements   |  |  |
| (i) First Loss   | -                                      | -                                      |
| (ii) Others  | -                                      | -                                      |
| (a) On-balance sheet exposure towards credit enhancements  |  |  |
| (i) First Loss   | -                                      | 352.00                                 |
| (ii) Others  | -                                      | -                                      |
| (IV) Amount of exposures to securitisation transactions other than MRR   |  |  |
| (a) Off-balance sheet exposure   |  |  |
| (i) Exposure to own securitisations  |  |  |
| (1) First Loss   | -                                      | -                                      |
| (2) Others   | -                                      | -                                      |
| (i) Exposure to third party securitisations  |  |  |
| (1) First Loss   | -                                      | -                                      |
| (2) Others   | -                                      | -                                      |
| (b) On balance sheet exposure  |  |  |
| (i) Exposure to own securitisations  |  |  |
| (1) First Loss   | -                                      | 232.33                                 |
| (2) Others   | -                                      | -                                      |
| (ii) Exposure to third party securitisations   |  |  |
| (1) First Loss   | -                                      | -                                      |
| (2) Others   | -                                      | -                                      |
| (V) Sale consideration received for the securitised assets   | -                                      | 2,749.59                               |
| Gain/loss on sale on account of securitisation   | -                                      | -                                      |
| (VI) Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.   | Credit Enhancement,<br>Servicing Agent | Credit Enhancement,<br>Servicing Agent |
| (VII) Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided. (Credit Enhancement) |  |  |
| (a) Amount paid  | -                                      | -                                      |
| (b) Repayment received   | -                                      | 2,349.16                               |
| (c) Outstanding amount   | -                                      | 352.00                                 |
| (VIII) Average default rate of portfolios observed in the past.  |  |  |
| (a) Vehicle Loans  | -                                      | 1.97                                   |
| (b) Others   | -                                      | -                                      |
| (IX) Amount and number of additional/top up loan given on same underlying asset.   |  |  |
| (a) Vehicle Loans  | -                                      | -                                      |
| (b) Others   | -                                      | -                                      |
| (X) Investor complaints (a) Directly/Indirectly received and; (b) Complaints outstanding   | -                                      | -                                      |



**IKF Finance Limited****Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

**44.05 Details of financial assets sold to securitisation / reconstruction company for asset reconstruction.**

The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year

**44.06 Details of loans transferred / acquired during the quarter ended March 31, 2023 under RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021**

(i) Details of loans not in default transferred / acquired through assignment during the Year ended March 31, 2023

| Particulars                                | Transferred    | Acquired       |
|--|----------------|----------------|
| Aggregate amount of loans transferred      | 22575.80       | 6356.72        |
| Weighted average maturity (in years)       | 29.31          | 21.19          |
| Weighted average holding period (in years) | 8.39           | 9.50           |
| Retention of beneficial economic interest  | 10.00%         | 12.01%         |
| Tangible security Coverage                 | 100.00%        | 100.00%        |
| Rating-wise distribution of rated loans    | Not Applicable | Not Applicable |

\* Represents the total Pool Value

(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.

**44.07 Value of Imports calculated on CIF basis**

The Company has not imported any goods therefore value of import on CIF basis is Nil

**44.08 Expenditure in Foreign Currency**

| Particulars                 | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|-----------------------------|------------------------------|------------------------------|
| Legal and professional fees | 0.51                         | 0.90                         |
| <b>Total</b>                | <b>0.51</b>                  | <b>0.90</b>                  |

**44.09 Earnings in Foreign Currency**

The Company does not have any earnings in foreign currency

**44.10 Details of credit impaired assets purchased / sold**

The Company has not purchased / sold non-performing financial assets in the current and previous year

**44.11 Exposure to Real estate sector**

The Company has no exposure to the real estate sector directly or indirectly in the current and previous year.

**44.12 Exposure to Capital Market**

The Company has no exposure to the capital market directly or indirectly in the current and previous year.

**44.13 Financing of Parent Company Product**

This disclosure is not applicable as the Company does not have any holding / parent company

**44.14 Single Borrower Limit / Group Borrower Limit**

The Company has not lent / invested / lent and invested in any borrower / group of borrower in excess of limits prescribed by the RBI.

**44.15 Unsecured Advances**

The Company has no unsecured advances given against rights, licenses, authorizations etc. during the year and for previous year.

**44.16 Registration from Other Financial Sector Regulators**

The Company is registered with following other financial sector regulators (Financial regulators as described by Ministry of Finance):

- i. R.B.I. - B-09.00172
- ii. Ministry of Corporate Affairs - U65992AP1991PLC012736
- iii. Ministry of Finance (Financial Intelligence Unit) - FINBF13220



## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### 44.17 Penalty

No penalties were imposed by RBI and other regulators during the current year

#### 44.18 Credit Rating

| Particulars                  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------|-------------------------|-------------------------|
| Nature of borrowing          | Rating / Outlook        | Rating / Outlook        |
|                              | CARE                    | CARE                    |
| Long term bank facilities    | A (Stable)              | A (Stable)              |
| Commercial Paper             | -                       | -                       |
| Non - Convertible Debentures | A (Stable)              | A (Stable)              |

| Particulars                  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------|-------------------------|-------------------------|
| Nature of borrowing          | Rating / Outlook        | Rating / Outlook        |
|                              | Brickwork Ratings       | Brickwork Ratings       |
| Long term bank facilities    | A (Stable)              | A (Stable)              |
| Non - Convertible Debentures | A (Stable)              | A (Stable)              |

#### 44.19 Provisions

| Particulars                             | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| 1. Provisions towards income tax        | 1,461.47                | 1,487.04                |
| 2. Provisions towards loans             | -44.98                  | -224.16                 |
| 3. Provisions towards trade receivables | -                       | -26.21                  |

#### 44.20 Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2023 (previous year: Nil)

#### 44.21 Concentration of Loans

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Total Loans to twenty largest borrowers                                       | 27,668.83               | 17,475.78               |
| Percentage of Loans to twenty largest borrowers to total advances of the NBFC | 12.95%                  | 10.97%                  |

#### 44.22 Concentration of All Exposure (including off - balance sheet exposures)

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Total Exposure to twenty largest borrowers / customers   | 27,668.83               | 17,576.15               |
| Percentage of exposure to twenty largest borrowers / customers to total exposure of the NBFC on borrowers / customers. | 12.95%                  | 10.09%                  |

#### 44.23 Concentration of credit impaired loans

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Total Exposure to top ten credit impaired accounts | 1,178.46                | 674.31                  |

#### 44.24 Sector Wise Credit-Impaired Assets under Ind AS

| Particulars                        | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------------|-------------------------|-------------------------|
| 1. Agriculture & allied activities | 2.14%                   | 1.24%                   |
| 2. MSME                            | -                       | -                       |
| 3. Corporate Borrowers             | -                       | -                       |
| 4. Services                        | -                       | -                       |
| 5. Unsecured Personal Loans        | -                       | -                       |
| 6. Auto Loans                      | 3.12%                   | 3.01%                   |
| 7. Others                          | 2.03%                   | 1.76%                   |





**IKF Finance Limited**

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

**44.25 Movement of Credit-Impaired Loans under Ind AS**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| (I) Net impaired loss allowance to Net loans (%)                     | 2.26%                   | 1.84%                   |
| (II) Movement of Credit impaired loans under Ind-AS (Gross)          |                         |                         |
| (a) Opening Balance  | 4,338.15                | 4,275.96                |
| (b) (Deletion)/Addition during the year                              | 1,720.17                | 62.19                   |
| (c) Closing balance  | 6,058.32                | 4,338.15                |
| (III) Movement of Net Impaired loss                                  |                         |                         |
| (a) Opening Balance  | 2,872.82                | 3,067.95                |
| (b) (Deletion)/Addition during the year                              | 1,897.29                | (195.10)                |
| (c) Closing balance  | 4,770.11                | 2,872.84                |
| (III) Movement of impairment loss allowance on credit impaired loans |                         |                         |
| (a) Opening Balance  | 1,465.32                | 1,208.00                |
| (b) (Deletion)/Addition during the year                              | (177.11)                | 257.31                  |
| (c) Closing balance  | 1,288.21                | 1,465.31                |

**44.26 Overseas Assets**

The Company does not have any joint venture or subsidiary abroad; hence this disclosure is not applicable.

**44.27 Off Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)**

The Company has not sponsored any off-Balance Sheet SPV

**44.28 Customer Complaints**

| Sr No | Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|-------|---|------------------------------|------------------------------|
|       | <b>Complaints received by the Company from its customers</b>  |                              |                              |
| 1     | Number of complaints pending at beginning of the year   | -                            | 2                            |
| 2     | Number of complaints received during the year   | 48                           | 13                           |
| 3     | Number of complaints disposed during the year   | 48                           | 15                           |
|       | 3.1 Of which, number of complaints rejected by the Company - -  |                              |                              |
| 4     | Number of complaints pending at the end of the year   | -                            | -                            |
|       | <b>Maintainable complaints received by the Company from Office of ombudsman</b>                                   |                              |                              |
| 5     | Number of maintainable complaints received by the Company from Office of Ombudsman                                | 4                            | 2                            |
|       | 5.1 Of 5, number of complaints resolved in favour of the Company by office of Ombudsman                           | 4                            | 2                            |
|       | 5.2 Of 5, number of complaints resolved through conciliation/ mediation/ advisories issued by Office of Ombudsman | -                            | -                            |
|       | 5.3 Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the Company        | -                            | -                            |
| 6     | Number of Awards unimplemented within the stipulated time (other than those appealed)                             | -                            | -                            |

Top five grounds of complaints received by the NBFCs from customers

| Grounds of complaints, (i.e. complaints relating to) | Number of complaints pending at the beginning of the year | Number of complaints received during the year | % increase/decrease in the number of complaints received over the previous year | Number of complaints pending at the end of the year | Of 5, number of complaints pending beyond 30 days |
|--|---|---|---|---|---|
| 1  | 2   | 3   | 4   | 5   | 6   |
| <b>Year ended March 31, 2023</b>                     |   |   |   |   |   |
| Credit reports related                               |   | 11  | 1000%   | -   | -   |
| Document related                                     |   | 22  | 450%  | -   | -   |
| Loan related   |   | 9   | 125%  | -   | -   |
| Payment related                                      |   | 6   | 50%   | -   | -   |
| Others   |   | -   | -   | -   | -   |
| Total  |   | 48  | 269%  | -   | -   |
| <b>Year ended March 31, 2022</b>                     |   |   |   |   |   |
| Credit reports related                               |   | 1   | -   | -   | -   |
| Document related                                     |   | 4   | -   | -   | -   |
| Loan related   |   | 4   | -   | -   | -   |
| Payment related                                      |   | 4   | -   | -   | -   |
| Others   |   | -   | -   | -   | -   |
| Total  |   | 13  | -   | -   | -   |



## IKF Finance Limited

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

44.29 As required by the RBI Master Direction DNBS, PPD.01/66.15.001/2016-17 dated September 29, 2016 the details of frauds noticed / reported are as below:

| Particulars                 | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|-----------------------------|------------------------------|------------------------------|
| Amount Involved             | -                            | -                            |
| Amount Recovered            | -                            | -                            |
| Amount Written off/provided | -                            | -                            |
| Balance                     | -                            | -                            |

### 44.30 Transactions with Non-Executive Directors

| Name of Non-Executive Director | Transaction<br>Type        | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--------------------------------|----------------------------|------------------------------|------------------------------|
| Nageswara Rao Yalamanchili     | Payment of<br>Sitting Fees | 3.50                         | 1.00                         |
| Sunil Rewachand Chandiramani   | Payment of<br>Sitting Fees | 2.00                         | -                            |
| Gopalakrishna Gurrappa         | Payment of<br>Sitting Fees | 2.00                         | -                            |

### 44.31 Postponement of Revenue Recognition

Refer note 2.5 Revenue from operations for the circumstances in which revenue recognition has been postponed pending uncertainty of realisation.

### 44.32 Dues to micro, small and medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2023, no vendor / supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED

### 44.33 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:

| Type of borrower   | Exposure to accounts classified as Standard consequent to implementation of resolution plan -- Position as at the end of the previous half-year (A) | Of (A), aggregate debt that slipped into NPA during the half-year | Of (A) amount written off during the half-year | Of (A) amount paid by the borrowers during the half-year | Exposure to accounts classified as Standard consequent to implementation of resolution plan -- Position as at the end of this half-year ** |
|--------------------|---|---|--|--|--|
| Personal Loans     | -   | -   | -  | -  | -  |
| Corporate Persons* | -   | -   | -  | -  | -  |
| of which MSMEs     | -   | -   | -  | -  | -  |
| Others             | 82.81   | -   | -  | 1.66   | 81.15  |
| Total              | 82.81   | -   | -  | 1.66   | 81.15  |

\* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

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.



**IKF Finance Limited**

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

**44.34 Asset liability management**
**Maturity pattern of certain items of asset and liabilities - As at March 31, 2023**

| Pattern               | 1 day to 7 days | 8 day to 14 days | 15 day to 30-31 days | Over 1 month to 2 months | Over 2 months upto 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 3 years | Over 3 to 5 years | Over 5 years | Total       |
|-----------------------|-----------------|------------------|----------------------|--------------------------|-----------------------------|--------------------|-------------------------|-------------------|-------------------|--------------|-------------|
| <b>Liabilities*</b>   |                 |                  |                      |                          |                             |                    |                         |                   |                   |              |             |
| Borrowings from banks | 1,618.57        | 182.85           | 1,492.20             | 2,271.40                 | 8,495.92                    | 11,376.44          | 45,944.26               | 61,404.77         | 9,739.36          | -            | 1,42,525.78 |
| Other Borrowings      | 279.91          | 484.30           | 408.43               | 787.36                   | 725.44                      | 2,479.97           | 5,030.38                | 16,075.54         | 625.00            | -            | 26,896.33   |
| Market Borrowings     | -               | -                | 5,116.25             | -                        | 905.82                      | 2,622.63           | 6,750.00                | 3,500.00          | 2,500.00          | 14,000.00    | 35,394.70   |
| <b>Assets</b>         |                 |                  |                      |                          |                             |                    |                         |                   |                   |              |             |
| Advances*             | 2,532.52        | 800.91           | 220.49               | 6,341.17                 | 6,490.64                    | 19,853.22          | 39,934.49               | 1,16,682.44       | 18,356.87         | 2,515.22     | 2,13,727.95 |
| Investments           | -               | -                | 9,202.03             | 10,845.80                | -                           | -                  | -                       | -                 | -                 | 10,762.73    | 30,810.55   |

**Maturity pattern of certain items of asset and liabilities - As at March 31, 2022**

| Pattern               | 1 day to 7 days | 8 day to 14 days | 15 day to 30-31 days | Over 1 month to 2 months | Over 2 months upto 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 3 years | Over 3 to 5 years | Over 5 years | Total       |
|-----------------------|-----------------|------------------|----------------------|--------------------------|-----------------------------|--------------------|-------------------------|-------------------|-------------------|--------------|-------------|
| <b>Liabilities*</b>   |                 |                  |                      |                          |                             |                    |                         |                   |                   |              |             |
| Borrowings from banks | 322.18          | 1,356.58         | 915.01               | 2,307.85                 | 7,038.92                    | 9,396.89           | 39,773.42               | 34,389.76         | 3,984.25          | -            | 99,484.87   |
| Other Borrowings      | 166.67          | 73.68            | 278.31               | 617.54                   | 554.06                      | 1,592.67           | 2,938.52                | 5,693.37          | -                 | -            | 11,914.83   |
| Market Borrowings     | 22.05           | -                | 108.91               | 134.36                   | 1,429.90                    | 125.00             | 1,911.87                | 11,500.00         | 4,500.00          | -            | 19,732.08   |
| <b>Assets</b>         |                 |                  |                      |                          |                             |                    |                         |                   |                   |              |             |
| Advances*             | 6,671.61        | 2,335.89         | 8,536.77             | 4,687.83                 | 4,694.78                    | 13,957.78          | 24,471.36               | 79,657.94         | 12,877.30         | 1,293.70     | 1,59,184.95 |
| Investments           | -               | -                | -                    | -                        | -                           | -                  | -                       | -                 | -                 | 6,252.92     | 6,252.92    |

\*The amount appearing above for gross loans and borrowings excludes the impact of EIR.



**IKF Finance Limited**
**Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

- 44.35 Disclosure on liquidity risk under RBI circular no. RBI/2019-20/88 DOR.NBFC (PD) CC. No. 102/03.10.001/2019-20 dated November 04, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies as on March 31, 2023.

- i) Funding Concentration based on significant counterparty (both deposits and borrowings)

| Sr. No | No of Significant Counterparties | As at March 31, 2023 |                     |                         | As at March 31, 2022 |                     |                         |
|--------|----------------------------------|----------------------|---------------------|-------------------------|----------------------|---------------------|-------------------------|
|        |                                  | Amount #             | % of total Deposits | % of Total Liabilities* | Amount #             | % of total Deposits | % of Total Liabilities* |
| 1      | 39                               | 2,00,998.87          | NA                  | 97.02%                  | 1,27,107.49          | NA                  | 95.51%                  |

- ii) Top 20 large deposits – Not Applicable

- iii) Top 10 Borrowings

| As at March 31, 2023 |                         | As at March 31, 2022 |                         |
|----------------------|-------------------------|----------------------|-------------------------|
| Amount #             | % of Total Liabilities* | Amount #             | % of Total Liabilities* |
| 88,858.07            | 42.89%                  | 83,507.47            | 62.75%                  |

- iv) Funding Concentration based on significant instrument/product

| Sr. No. | Name of the instrument                  | As at March 31, 2023 |                         | As at March 31, 2022 |                         |
|---------|---|----------------------|-------------------------|----------------------|-------------------------|
|         |   | Amount #             | % of Total Liabilities* | Amount #             | % of Total Liabilities* |
| 1       | Term Loan                               | 1,43,113.79          | 69.08%                  | 76,193.48            | 57.25%                  |
| 2       | Non Convertible Debentures              | 35,000.00            | 16.89%                  | 14,945.00            | 11.23%                  |
| 3       | Working capital / short term facilities | 26,112.03            | 12.60%                  | 32,691.04            | 24.56%                  |
|         | <b>Total</b>                            | <b>2,04,225.82</b>   | <b>98.57%</b>           | <b>1,23,829.52</b>   | <b>93.04%</b>           |

- v) Stock Ratios

| Sr. No. | Particulars  | 31 March, 2023 | 31 March, 2022 |
|---------|--|----------------|----------------|
| 1       | Commercial Papers to Total Liabilities                 | 0.00%          | 0.00%          |
| 2       | Commercial Papers to Total Assets                      | 0.00%          | 0.00%          |
| 3       | NCDs (Original Maturity < 1 year) to Total Liabilities | 0.00%          | 0.00%          |
| 4       | NCDs (original Maturity < 1 year) to Total Assets      | 0.00%          | 0.00%          |
| 5       | Other Short Term Liabilities # to Total Liabilities*   | 1.47%          | 1.97%          |
| 6       | Other Short Term Liabilities # to Total Assets         | 1.10%          | 1.55%          |

- vi) Institutional set-up for liquidity risk management:

The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Management Committee (RMC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RMC subsequently updates the Board of Directors on the same.

# Amount does not include accrued but not paid interest on borrowing and amortisation of processing fees.

\* Total Liabilities does not include Net Worth.

**44.36 Sectoral Exposure**

| Sr. No. | Sectors                                    | Current Year     |                |              | Previous Year    |                |              |
|---------|--|------------------|----------------|--------------|------------------|----------------|--------------|
|         |  | Total Exposure   | GNPA( In Lacs) | GNPA(%)      | Total Exposure   | GNPA( In lacs) | GNPA(%)      |
| 1       | <b>Agriculture &amp; Allied Activities</b> | 2923.98          | 62.56          | 2.14%        | 2603.41          | 32.18          | 1.24%        |
|         | <b>Total</b>                               | <b>2923.98</b>   | <b>62.56</b>   | <b>2.14%</b> | <b>2603.41</b>   | <b>32.18</b>   | <b>1.24%</b> |
| 2       | <b>Industry</b>                            |                  |                |              |                  |                |              |
|         | Others                                     | 548.42           | 0.00           | 0.00%        | 309.61           | 0.00           | 0.00%        |
|         | <b>Total</b>                               | <b>548.42</b>    | <b>0.00</b>    | <b>0.00%</b> | <b>309.61</b>    | <b>0.00</b>    | <b>0.00%</b> |
| 3       | <b>Services</b>                            |                  |                |              |                  |                |              |
|         | Transport Operators                        | 81929.05         | 2640.49        | 3.22%        | 62767.87         | 2412.38        | 3.84%        |
|         | NBFC                                       | 27079.61         | 0.00           | 0.00%        | 16121.21         | 0.00           | 0.00%        |
|         | Service - Others                           | 12650.17         | 699.56         | 5.53%        | 10699.74         | 304.47         | 2.85%        |
|         | Construction Equipment                     | 44570.91         | 1045.57        | 2.35%        | 29957.01         | 671.30         | 2.24%        |
|         | Others                                     | 7603.59          | 221.54         | 2.91%        | 6216.83          | 176.65         | 2.84%        |
|         | <b>Total</b>                               | <b>173833.33</b> | <b>4607.16</b> | <b>2.65%</b> | <b>125762.66</b> | <b>3564.80</b> | <b>2.83%</b> |
| 4       | <b>Personal loans</b>                      |                  |                |              |                  |                |              |
|         | Vehicle/Auto Loans                         | 34077.2          | 1298.1         | 3.81%        | 27728.92         | 646.02         | 2.33%        |
|         | Others                                     | 2345.0           | 90.5           | 3.86%        | 2939.22          | 95.15          | 3.24%        |
|         | <b>Total</b>                               | <b>36422.23</b>  | <b>1388.59</b> | <b>3.81%</b> | <b>30668.14</b>  | <b>741.17</b>  | <b>2.42%</b> |
|         | <b>Grand Total</b>                         | <b>213727.95</b> | <b>6058.32</b> | <b>2.83%</b> | <b>159343.81</b> | <b>4338.15</b> | <b>2.72%</b> |



## **IKF Finance Limited**

### **Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

#### **44.37 Intra Group Exposure**

The Company has no exposure to the Intra Group Exposures for the financial years ended March 31,2023 and March 31,2022

#### **44.38 Unhedged Foreign Currency Exposure**

The Company does not have any unhedged foreign currency exposures for the financial years ended March 31, 2023 and March 31, 2022

#### **44.39 Breach of Covenant**

There were no instances of default or breaches of covenant in respect of loan availed or debt securities issued during the financial years ended March 31, 2023 and March 31, 2022.

#### **44.40 Divergence in Asset Classification and Provisioning**

The RBI has neither assessed any additional provisioning requirements in excess of 5 percent of the reported profits before tax and impairment loss on financial instruments for the financial year ended March 31, 2022, nor identified any additional Gross NPAs in excess of 5% of the reported Gross NPAs for the said period.

#### **44.41 Corporate Governance**

As per RBI Guidelines, Specific Disclosures relating to Corporate Governance should be disclosed under the Corporate Governance section of the Annual Report





# Notes to financial statements for the year ended March 31, 2023

Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

44.42 Disclosure on related Party Transactions as per the RBI notification No. RBI/2022-23/26DOR-ACC.REC.No.20/21.04.018/2022-23 on Disclosure Requirements Under Scale Based Regulation for NBFCs dated April 19, 2022

| Related Party/Items                      | Parent(as per ownership/Control) |               | Subsidiaries |               | Associates/Joint venture |               | Key Management Personnel |               | Relatives of Key Management Personnel |               | Others       |               | Total        |               |
|--|----------------------------------|---------------|--------------|---------------|--------------------------|---------------|--------------------------|---------------|---------------------------------------|---------------|--------------|---------------|--------------|---------------|
|  | Current Year                     | Previous Year | Current Year | Previous Year | Current Year             | Previous Year | Current Year             | Previous Year | Current Year                          | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Maximum Outstanding during the Year      | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Deposits                                 | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Investments                              | -                                | -             | 10,762.73    | 6,252.92      | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 10,762.73    | 6,252.92      |
| Share Capital                            | -                                | -             | -            | -             | -                        | -             | 2,414.90                 | 2,403.86      | 590.43                                | 590.43        | 2,085.56     | 2,085.56      | 5,090.89     | 5,079.85      |
| Balance Outstanding at the Year End      | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Borrowings                               | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Deposits                                 | -                                | -             | -            | -             | -                        | -             | 88.50                    | 88.50         | -                                     | -             | -            | -             | 88.50        | 88.50         |
| Placements of Deposits                   | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Advances                                 | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Investments                              | -                                | -             | 10,762.73    | 6,252.92      | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 10,762.73    | 6,252.92      |
| Purchase of Fixed / Other Assets         | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Sale of Fixed / Other Assets             | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Interest Paid                            | -                                | -             | 126.42       | 265.90        | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 126.42       | 265.90        |
| Interest Received                        | -                                | -             | 1.42         | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 1.42         | -             |
| Others                                   | -                                | -             | -            | -             | -                        | -             | -                        | -             | -                                     | -             | -            | -             | -            | -             |
| Rent paid                                | -                                | -             | -            | -             | -                        | -             | 69.60                    | 69.60         | -                                     | -             | -            | -             | 69.60        | 69.60         |
| Director's Remuneration                  | -                                | -             | -            | -             | -                        | -             | 180.00                   | 162.50        | -                                     | -             | -            | -             | 180.00       | 162.50        |
| Director's Commission Payable            | -                                | -             | -            | -             | -                        | -             | 134.62                   | 108.55        | -                                     | -             | -            | -             | 134.62       | 108.55        |
| Share Capital                            | -                                | -             | -            | -             | -                        | -             | 2,414.90                 | 2,403.86      | 590.43                                | 590.43        | 2,085.56     | 2,085.56      | 5,090.89     | 5,079.85      |
| Salary Paid                              | -                                | -             | -            | -             | -                        | -             | 80.81                    | 74.15         | -                                     | -             | -            | -             | 80.81        | 74.15         |
| Service Fee Collected                    | -                                | -             | 28.35        | 28.89         | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 28.35        | 28.89         |
| Direct Assignment                        | -                                | -             | 1,979.88     | 2,782.98      | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 1,979.88     | 2,782.98      |
| Interest Receivable on Direct Assignment | -                                | -             | 28.98        | 34.46         | -                        | -             | -                        | -             | -                                     | -             | -            | -             | 28.98        | 34.46         |



## **IKF Finance Limited**

### **Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

#### **45 Registration of charges or satisfaction with Registrar of Companies (ROC)**

All charges or satisfaction are registered with ROC within the statutory period for the financial years ended March 31, 2023 . No charges or satisfactions are yet to be registered with ROC beyond the statutory period.

#### **46 Compliance with number of layers of companies**

The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017 for the financial years ended March 31, 2023 and March 31, 2022.

#### **47 Compliance with approved Scheme(s) of Arrangements**

The Board of Directors of the Company did not approve any scheme of Arrangements during the financial year ended March 31, 2023 and March 31, 2022.

#### **48 Utilisation of Borrowed funds and share premium**

The Company, as part of its normal business, grants loans and advances, makes investment. These transactions are part of Company's normal non-banking finance business, which is conducted ensuring adherence to all regulatory requirements.

Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has also not received any fund from any parties (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

#### **49 Undisclosed income**

There are no transactions not recorded in the books of accounts.

#### **50 Title deeds of Immovable Properties not held in name of the Company**

The Company does not possess any immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the Company during the financial year ended March 31, 2023 and March 31, 2022.

#### **51 Details of Crypto Currency or Virtual Currency**

The Company has not traded or invested in Crypto currency or Virtual currency during the financial years ended March 31, 2023 and March 31, 2022.

#### **52 Details of Benami Property Held**

No proceedings have been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder in the financial years ended March 31, 2023 and March 31, 2022.

#### **53 Wilful Defaulter**

The Company has not been declared as a wilful defaulter by any bank or financial institution or other lender in the financial years ended March 31, 2023 and March 31, 2022.

#### **54 Relationship with Struck off Companies**

The company does not have any transactions with companies whose names have been struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956 in the financial years ended March 31, 2023 and March 31, 2022.

#### **55 Investment in Associates and Structured Entities**

The Company does not have any Associates and Structured Entities



## **IKF Finance Limited**

### **Notes to financial statements for the year ended March 31, 2023**

(Currency : INR in lakhs)

#### **56 Note on Code on Social Security, 2020**

The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules thereunder. 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

57 Previous year's information have been regrouped/reclassified wherever necessary to correspond with current year's classification/disclosure.

For S G C O & Co. LLP  
Chartered Accountants  
ICAI Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.044739  
Place: Mumbai  
Date: 30 May 2023



For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP1991PLC012736

V. G. K. Prasad  
Chairman  
DIN: 01817992

Ch. Greenivasa Rao  
Company Secretary & Chief Financial Officer  
M.No. ACS14723  
Place: Vijayawada  
Date: 30 May 2023

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

## IKF Finance Limited

### Notes to financial statements for the year ended March 31, 2023

(Currency : INR in lakhs)

#### Schedule to Balance Sheet

| Particulars        |  | As at March 31, 2023      |                |
|--------------------|--|---------------------------|----------------|
| Liabilities side   |  | Amount outstanding        | Amount overdue |
| (1)                | <b>Loans and advances availed by the non- banking financial company inclusive of interest accrued thereon but not paid :</b> |                           |                |
|                    | (a) Debentures : Secured   | 10,125.66                 | -              |
|                    | : Unsecured  | 8,712.88                  | -              |
|                    | (other than falling within the meaning of public deposits*)  |                           |                |
|                    | (b) Deferred Credits   | -                         | -              |
|                    | (c) Term Loans   | 1,42,384.29               | -              |
|                    | (d) Inter-corporate loans and borrowing  | -                         | -              |
|                    | (e) Commercial Paper   | -                         | -              |
|                    | (f) Public Deposits*   | -                         | -              |
|                    | (g) Other Loans - Subordinate Debts  | 16,345.06                 | -              |
|                    | - Cash Credit  | 26,112.03                 | -              |
|                    | - Securitization Transaction   | -                         | -              |
|                    | * Please see Note 1 below  |                           |                |
| (2)                | <b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :</b>           |                           |                |
|                    | (a) In the form of Unsecured debentures  | -                         | -              |
|                    | (b) In the form of partly secured debentures i.e. debentures where there is a  | -                         | -              |
|                    | (c) Other public deposits  | -                         | -              |
|                    | * Please see Note 1 below  |                           |                |
| <b>Assets side</b> |  | <b>Amount outstanding</b> |                |
| (3)                | <b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>                 |                           |                |
|                    | (a) Secured  |                           | 2,13,727.95    |
|                    | (b) Unsecured  |                           | -              |
| (4)                | <b>Break up of Leased Assets and stock on hire and other assets counting towards</b>   |                           |                |
|                    | (i) Lease assets including lease rentals   |                           |                |
|                    | (a) Financial lease  |                           | -              |
|                    | (b) Operating lease  |                           | -              |
|                    | (ii) Stock on hire including hire charges  |                           |                |
|                    | (a) Assets on hire   |                           | -              |
|                    | (b) Repossessed Assets   |                           | -              |
|                    | (iii) Other loans counting towards asset financing activities  |                           |                |
|                    | (a) Loans where assets have been repossessed   |                           | -              |
|                    | (b) Loans other than (a) above   |                           | -              |



|     |                                |                             |           |
|-----|--------------------------------|-----------------------------|-----------|
| (5) | <b>Break-up of Investments</b> |                             |           |
|     | <b>Current Investments</b>     |                             |           |
|     | 1.                             | Quoted                      |           |
|     |                                | (i) Shares                  |           |
|     |                                | (a) Equity                  | -         |
|     |                                | (b) Preference              | -         |
|     |                                | (ii) Debentures and Bonds   | 20,047.82 |
|     |                                | (iii) Units of mutual funds | -         |
|     |                                | (iv) Government Securities  | -         |
|     |                                | (v) Others (please specify) | -         |
|     | 2.                             | Unquoted                    |           |
|     |                                | (i) Shares                  |           |
|     |                                | (a) Equity                  | -         |
|     |                                | (b) Preference              | -         |
|     |                                | (ii) Debentures and Bonds   | -         |
|     |                                | (iii) Units of mutual funds | -         |
|     |                                | (iv) Government Securities  | -         |
|     |                                | (v) Others (please specify) | -         |
|     | <b>Long Term investments</b>   |                             |           |
|     | 1.                             | Quoted                      |           |
|     | (i) Share                      |                             |           |
|     | (a) Equity                     | -                           |           |
|     | (b) Preference                 | -                           |           |
|     | (ii) Debentures and Bonds      | -                           |           |
|     | (iii) Units of mutual funds    | -                           |           |
|     | (iv) Government Securities     | -                           |           |
|     | (v) Others (please specify)    | -                           |           |
| 2.  | Unquoted                       |                             |           |
|     | (i) Shares                     |                             |           |
|     | (a) Equity                     | 10,762.73                   |           |
|     | (b) Preference                 | -                           |           |
|     | (ii) Debentures and Bonds      | -                           |           |
|     | (iii) Units of mutual funds    | -                           |           |
|     | (iv) Government Securities     | -                           |           |
|     | (v) Others (please specify)    | -                           |           |

|     |  |                          |           |
|-----|--|--------------------------|-----------|
| (6) | <b>Borrower group-wise classification of assets financed as in (3) and (4) above :</b> |                          |           |
|     | Please see Note 2 below  |                          |           |
|     | Category   | Amount net of provisions |           |
|     |  | Secured                  | Unsecured |
|     | 1. <b>Related Parties **</b>   |                          |           |
|     | (a) Subsidiaries   | -                        | -         |
|     | (b) Companies in the same group  | -                        | -         |
|     | (c) Other related parties  | -                        | -         |
|     | 2. Other than related parties  | 2,13,727.95              | -         |
|     | <b>Total</b>   | 2,13,727.95              | -         |





|   |   |   |
|---|---|---|
| (7)   | <b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :</b><br>Please see note 3 below |   |
|   | <b>Category</b>   | <b>Market Value / Break up or fair value or NAV</b> |
|   | 1. Related Parties **   |   |
|   | (a) Subsidiaries  | 10,762.73   |
|   | (b) Companies in the same group   | -   |
|   | (c) Other related parties   | -   |
|   | 2. Other than related parties   | -   |
|   | <b>Total</b>  | <b>10,762.73</b>                                    |
| ** As per Accounting Standard of ICAI (Please see Note 3) |   |   |
| (8)   | <b>Other information</b>  |   |
|   | <b>Particulars</b>  | <b>Amount</b>                                       |
|   | (i) Gross Non-Performing Assets   |   |
|   | (a) Related parties   | -   |
|   | (b) Other than related parties  | 6,058.32  |
|   | (ii) Net Non-Performing Assets  |   |
|   | (a) Related parties   | -   |
|   | (b) Other than related parties  | 4,770.11  |
|   | (iii) Assets acquired in satisfaction of debt   | 66.01   |

**Notes :**

- As defined in point xxvii of paragraph 3 of Chapter II of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Provisioning norms shall be applicable as prescribed in Indian Accounting Standards by MCA.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (5) above.



# **SGCO & Co. LLP**

**Chartered Accountants**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF IKF FINANCE LIMITED**

#### **Report on the Audit of Consolidated financial statements**

We have audited the accompanying consolidated financial statements of **IKF FINANCE LIMITED** (the "Company") and its subsidiary (the Company and its subsidiary together referred to as the "Group") which comprise the Consolidated Balance Sheet as at March 31, 2023, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements, give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2023 and their consolidated profit, their consolidated total comprehensive income, their consolidated changes in equity and their consolidated cash flows for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SA), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the consolidated financial statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the consolidated 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 audit opinion on the consolidated financial statements.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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| Key audit Matters   | How our audit addressed the key audit matter  |
|---|---|
| Impairment of Financial Instruments (expected credit Losses) has been described in Note 2.4.c, 2.6.f and 6 of the financial statements.   |   |
| <p>Management estimates impairment provision using Expected Credit loss model for the loan exposure as per the Board approved policy which is in line with Ind AS and the Regulations. Measurement of loan impairment involves application of significant judgement by the management. The most significant judgements are:</p> <ul style="list-style-type: none"><li>• Timely identification and classification of the impaired loans, including classification of assets to stage 1, 2, or 3 using criteria in accordance with Ind AS 109 which also include considering the impact of RBI's regulatory circulars,</li><li>• The segmentation of financial assets when their ECL is assessed on a collective basis,</li><li>• Determination of probability of defaults (PD) and loss given defaults (LGD) based on the default history of loans, subsequent recoveries made and other relevant factors and</li><li>• Assessment of qualitative factors having an impact on the credit risk.</li></ul> | <ul style="list-style-type: none"><li>• We evaluated the design and operating effectiveness of controls across the processes relevant to ECL, including the judgements and estimates.</li><li>• We tested the completeness of loans and advances included in the Expected Credit Loss calculations as of March 31, 2023 by reconciling it with the balances as per loan balance register and loan commitment report as on that date.</li><li>• We tested assets in stage 1, 2 and 3 on sample basis to verify that they were allocated to the appropriate stage.</li><li>• Tested samples to ascertain the completeness and accuracy of the input data used for determining the PD and LGD rates and agreed the data with underlying books of accounts and records.</li><li>• For samples of exposure, we tested the appropriateness of determining EAD, PD and LGD.</li><li>• We performed an overall assessment of the ECL provision levels at each stage including management's assessment and provision on account of Company's portfolio, risk profile, credit risk management practices.</li><li>• We assessed the adequacy and appropriateness of disclosures in compliance with the Ind AS 107 in relation to ECL especially in relation to judgements used in estimation of ECL provision.</li></ul> |

## Information Other than the Financial Statements and Auditor's Report Thereon

The Holding Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility and Sustainability Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

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

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

### **Responsibilities of Management and Those Charged with Governance for the consolidated financial statements**

The Holding Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Boards of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.

In preparing the consolidated financial statements, the respective Boards of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Boards of Directors either intend to liquidate their respective entities or to cease operations, or have no realistic alternative but to do so.

The respective Boards of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### **Auditor's Responsibilities for the Audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA 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 consolidated financial statements.

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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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we

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determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

The consolidated financial statement include the audited financial statement of one subsidiary, whose financial statement reflect Group's share of total assets (before consolidation adjustments) of Rs. 68,343.67 lakhs as at 31 March 2023, Group's share of total revenue (before consolidation adjustments) of Rs. 8,878.54 lakhs, Group's share of total net profit after tax (before consolidation adjustments) of Rs. 1,071.61 lakhs and Group's share of net cash outflow (before consolidation adjustments) of Rs 1509.27 lakhs for the year ended on that date, as considered in the consolidated annual financial statement, which have been audited by their other independent auditor. The independent auditor's reports on financial statement of the subsidiary have been furnished to us by the management. Our opinion on the consolidated financial statement, in so far as it relates to the amounts and disclosures included in respect of this entity, is based solely on the reports of such auditor and the procedures performed by us are as stated in paragraph above.

Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the management.

### Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Company as on March 31, 2023 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to consolidated financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Company and its subsidiary companies incorporated in India.

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

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

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

i. The Group does not have any pending litigations which would impact financial position of the company and its subsidiary;

ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

iv. (a) The respective Managements of the Holding Company and its subsidiary which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiary to or in any other person or entity, outside the Group, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) The respective Managements of the Holding Company and its subsidiary which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such subsidiary from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

v. The Group has not declared or paid any dividend during the year and has not proposed final dividend for the year.

vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable with effect from April 1, 2023 to the Holding Company and its subsidiary, which are companies incorporated in India, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

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2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and its subsidiary included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports.

**For SGCO & CO. LLP**

Chartered Accountants

Firm Reg. No.:- 112081W/W100184



**Suresh Murarka**

Partner

**Membership No. :- 044739**

UDIN :- 23044739BGUNPB1074

Place :- Mumbai

Date :- 30-05-2023



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### ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

Report on the Internal Financial Controls with reference to Consolidated Financial Statements under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to Consolidated Financial Statements of IKF FINANCE Limited (hereinafter referred to as the "Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

#### Meaning of Internal Financial Controls Over Financial Reporting with reference to these consolidated financial statements

A Company's Internal financial control over financial reporting with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purpose in accordance with generally accepted accounting principles. A company's Internal financial control over financial reporting with reference to

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these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transaction are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting Principles, and that receipts and expenditure of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisitions, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to these consolidated financial statements**

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

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the guidance note on audit of Internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India.

### **For SGCO & CO. LLP**

Chartered Accountants

ICAI Firm Reg. No. :- 112081W/W100184

  
**Suresh Murarka**

Partner

Mem. No. :- 044739

UDIN :- 23044739BGUNPB1074



Place :- Mumbai

Date :- 30/05/2023

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**IKF Finance Limited**  
**Consolidated Balance Sheet as at March 31, 2023**  
(Currency : INR in lakhs)

| Particulars   | Note No | As at March 31, 2023 | As at March 31, 2022 |
|---|---------|----------------------|----------------------|
| <b>ASSETS</b>   |         |                      |                      |
| <b>(1) Financial assets</b>   |         |                      |                      |
| (a) Cash and cash equivalents   | 3       | 27,817.26            | 9,664.31             |
| (b) Bank Balance other than included in (a) above   | 4       | 6,098.78             | 2,533.65             |
| (c) Loans   | 5       | 268,920.04           | 189,210.12           |
| (e) Investments   | 7       | 21,247.83            | -                    |
| (f) Other financial assets  | 6       | 4,759.15             | 3,221.75             |
|   |         | <b>328,843.06</b>    | <b>204,629.83</b>    |
| <b>(2) Non-financial assets</b>   |         |                      |                      |
| (a) Current Tax Assets (Net)  |         | 400.55               | 200.95               |
| (b) Deferred Tax Assets (Net)   | 29      | -                    | 70.34                |
| (c) Investment Property   | 10      | 72.14                | 114.31               |
| (d) Property, Plant and Equipment   | 9       | 363.00               | 343.00               |
| (e) Right of use asset  | 9       | 313.23               | 19.67                |
| (f) Intangible assets   | 11      | 236.22               | 175.97               |
| (g) Goodwill  |         | 774.47               | 774.47               |
| (h) Other non-financial assets  | 8       | 3,387.49             | 1,080.22             |
|   |         | <b>5,547.10</b>      | <b>2,778.93</b>      |
| <b>Total assets</b>   |         | <b>334,390.16</b>    | <b>207,408.76</b>    |
| <b>LIABILITIES AND EQUITY</b>   |         |                      |                      |
| <b>LIABILITIES</b>  |         |                      |                      |
| <b>(1) Financial liabilities</b>  |         |                      |                      |
| (a) Derivative financial instruments  |         | 5.40                 | 58.68                |
| (b) Payables  |         |                      |                      |
| (i) Trade payables and other payables   |         |                      |                      |
| (i) total outstanding dues of micro enterprises and small enterprises                       |         |                      |                      |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 12      | 113.02               | 7.09                 |
| (c) Debt securities   | 13      | 26,640.67            | 23,807.91            |
| (d) Borrowings (other than debt securities)   | 14      | 213,081.79           | 132,139.07           |
| (e) Subordinated Liabilities  | 15      | 16,345.06            | 6,003.45             |
| (f) Other financial liabilities   | 16      | 4,026.93             | 3,103.00             |
|   |         | <b>260,212.87</b>    | <b>165,119.20</b>    |
| <b>(2) Non-financial liabilities</b>  |         |                      |                      |
| (a) Provisions  | 17      | 261.90               | 345.34               |
| (b) Deferred tax liabilities (Net)  | 29      | 464.37               | 165.35               |
| (c) Other non-financial liabilities   | 18      | 263.49               | 157.27               |
|   |         | <b>989.76</b>        | <b>667.96</b>        |
| <b>EQUITY</b>   |         |                      |                      |
| (a) Equity share capital  | 19      | 6,457.51             | 5,265.91             |
| (b) Other equity  | 20      | 65,945.19            | 35,780.90            |
| (c) Non-Controlling Interest  |         | 784.84               | 574.79               |
|   |         | <b>73,187.54</b>     | <b>41,621.60</b>     |
| <b>Total liabilities and equity</b>   |         | <b>334,390.16</b>    | <b>207,408.76</b>    |

Significant accounting policies and key accounting estimates and judgments  
The accompanying notes form an integral part of the standalone financial statements  
As per our report of even date

For S G C O & Co. LLP  
Chartered Accountants  
ICAI Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.0447339  
Place: Mumbai  
Date: 30-May-23



For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP1991PLC012736

V.G.K Prasad  
Chairman  
DIN: 01817992

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

Ch.Sreenivasa Rao  
Company Secretary &  
Chief Financial Officer  
M.No. ACS14723

Place: Vijayawada  
Date: 30-May-23

**IKF Finance Limited**
**Consolidated Statement of Profit and Loss for the year ended March 31, 2023**

(Currency : INR in lakhs)

| Particulars  | Note No | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|---------|------------------------------|------------------------------|
| <b>Revenue From operations</b>   |         |                              |                              |
| (i) Interest income  | 21      | 36,553.47                    | 26,301.60                    |
| (ii) Fees and commission income  | 22      | 890.61                       | 660.15                       |
| <b>(I) Total revenue from operations</b>   |         | <b>37,444.08</b>             | <b>26,961.75</b>             |
| (II) Other income  | 23      | 400.63                       | 207.95                       |
| <b>(III) Total income (I + II)</b>   |         | <b>37,844.71</b>             | <b>27,169.70</b>             |
| <b>Expenses</b>  |         |                              |                              |
| (i) Finance costs  | 24.1    | 19,217.55                    | 13,617.92                    |
| (ii) Net loss on fair value changes  | 24.2    | -                            | 3.35                         |
| (iii) Impairment on financial instruments  | 25      | 628.21                       | 513.01                       |
| (iv) Employee benefits expenses  | 26      | 7,027.13                     | 4,650.46                     |
| (v) Depreciation, amortization and impairment  | 27      | 341.66                       | 190.23                       |
| (vi) Others expenses   | 28      | 2,381.82                     | 1,356.30                     |
| <b>(IV) Total expenses</b>   |         | <b>29,596.37</b>             | <b>20,331.27</b>             |
| <b>(V) Profit before tax (III - IV)</b>  |         | <b>8,248.34</b>              | <b>6,838.43</b>              |
| <b>(VI) Tax Expense:</b>   |         |                              |                              |
| (1) Current Tax  | 29      | 1,717.24                     | 1,740.28                     |
| (2) Deferred Tax   | 29      | 366.23                       | (24.92)                      |
| (3) Adjustment of tax relating to earlier periods  | 29      | 12.91                        | 10.06                        |
|  |         | <b>2,096.38</b>              | <b>1,725.42</b>              |
| <b>(VII) Profit for the period (V-VI)</b>  |         | <b>6,151.96</b>              | <b>5,113.01</b>              |
| <b>(VIII) Other comprehensive income</b>   |         |                              |                              |
| <b>(A) Items that will not be reclassified to profit or loss (specify items and amounts)</b> |         |                              |                              |
| (a) Remeasurements of the defined benefit plans  | 30      | 17.82                        | 12.80                        |
| Impact of changes in fair value of Financial Instruments                                     |         | 53.28                        |                              |
| Income tax relating to items that will not be reclassified to profit or loss                 |         | (3.13)                       | (3.22)                       |
| <b>Other comprehensive income / (loss)</b>   |         | <b>67.97</b>                 | <b>9.58</b>                  |
| <b>(IX) Total comprehensive income for the period (VII + VIII)</b>                           |         | <b>6,219.93</b>              | <b>5,122.59</b>              |
| <b>Attributable to:</b>  |         |                              |                              |
| Owners of the Company  |         | <b>6,133.80</b>              | <b>5,047.32</b>              |
| Non-controlling interest   |         | <b>86.15</b>                 | <b>75.24</b>                 |
| <b>(X) Earnings per share (equity share, par value of Rs.10 each)</b>                        |         |                              |                              |
| Basic  | 31      | 11.46                        | 9.89                         |
| Diluted  | 31      | 11.45                        | 9.89                         |

Significant accounting policies and key accounting estimates and judgments

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date

For S G C O &amp; Co. LLP

Chartered Accountants

ICAI Firm registration number : 112081W/W100184

per Suresh Murarka

Partner

Membership No.044739

Date: 30-May-23

Place: Mumbai



For and on behalf of the Board of Directors of

IKF Finance Limited

CIN: U65992AP1991PLC012736

V.G.K Prasad

Chairman

DIN: 01817992

Vasumathi Devi Koganti

Managing Director

DIN: 03161150

Ch.Sreenivasa Rao  
Company Secretary &  
Chief Financial Officer  
M.No. ACS14723

Place: Vijayawada

Date: 30-May-23

**IKF Finance Limited**

Consolidated Cash Flow statement for the year ended March 31, 2023

| Particulars   | For the Year ended<br>March 31, 2023 | For the Year ended<br>March 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                                      |                                      |
| Profit before tax   | 8,248.34                             | 6,838.43                             |
| Adjustments for:  |                                      |                                      |
| Depreciation, amortisation and impairment   | 341.66                               | 190.23                               |
| Interest Income   | (36,553.47)                          | (26,301.60)                          |
| Interest expenses   | 19,217.55                            | 13,617.93                            |
| Impairment on financial instrument  | 628.21                               | 513.01                               |
| Net loss on fair value changes  | -                                    | 3.35                                 |
| Share based payment expense   | (4.00)                               | (6.03)                               |
| Provision for expenses  | 2.25                                 | 6.60                                 |
| Employee benefit expenses   | (31.35)                              | 94.59                                |
| Rental income on Investment property  | (7.63)                               | (7.63)                               |
| (Profit)/ Loss on sale of property, plant and equipment   | 1.14                                 | (0.07)                               |
| (Profit)/ Loss on sale of immovable Property  | 3.15                                 | 6.10                                 |
| Cash generated from / (used in) operations before working capital changes and adjustments for interest received and interest paid | (8,154.16)                           | (5,045.08)                           |
| <u>Adjustments for changes in Working Capital:</u>  |                                      |                                      |
| Decrease / (Increase) in trade receivable   | -                                    | (12.47)                              |
| Decrease / (Increase) in loans  | (79,896.38)                          | (38,117.26)                          |
| Decrease / (Increase) in bank balances other than cash and cash equivalents   | (3,565.14)                           | 1,631.18                             |
| Decrease / (Increase) in other financial assets   | (297.93)                             | (5,403.68)                           |
| Decrease / (Increase) in other non-financial assets   | (2,307.26)                           | (678.52)                             |
| (Decrease) / Increase in trade payables   | 105.93                               | (16.43)                              |
| (Decrease) / Increase in other financial liabilities  | 626.06                               | (458.46)                             |
| (Decrease) / Increase in provisions   | 33.69                                | (30.08)                              |
| (Decrease) / Increase in other non-financial liabilities  | 106.22                               | 8.51                                 |
| Interest received   | 33,600.98                            | 31,293.07                            |
| Interest paid   | (19,393.29)                          | (13,450.44)                          |
|   | (79,141.28)                          | (30,279.66)                          |
| Income tax paid (net of refunds)  | (1,929.74)                           | (1,805.25)                           |
| Derivative financial instruments  | 45.27                                | -                                    |
| <b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>   | <b>(81,025.75)</b>                   | <b>(32,084.92)</b>                   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |                                      |                                      |
| Purchase of property, plant and equipment   | (131.47)                             | (114.86)                             |
| Purchase of Investment property   | -                                    | (224.11)                             |
| Rental income on Investment property  | 7.63                                 | 7.63                                 |
| Proceeds from sale of property, plant and equipment   | 0.82                                 | 0.08                                 |
| Proceeds from sale of Investment property   | 38.85                                | 110.00                               |
| Purchase of intangible assets   | (137.38)                             | (37.27)                              |
| Purchase of investments in market instruments   | (21,247.83)                          | -                                    |
| <b>NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES</b>   | <b>(21,469.37)</b>                   | <b>(258.54)</b>                      |
| <b>CASH FROM FINANCING ACTIVITIES</b>   |                                      |                                      |
| Proceeds from issue of equity shares (including securities premium)   | 25,506.83                            | 714.39                               |
| Amount received from debt securities  | 7,000.00                             | 8,000.00                             |
| Repayment of debt securities  | (4,249.92)                           | (26,783.33)                          |
| Amount received from borrowings other than debt securities  | 139,390.00                           | 77,180.00                            |
| Repayment of borrowings other than debt securities  | (57,339.83)                          | (31,541.19)                          |
| Amount received from subordinated Liabilities   | 14,000.00                            | -                                    |
| Repayment of subordinated debt  | (3,500.00)                           | -                                    |
| Payment of principal portion of lease liabilities   | (123.03)                             | (31.05)                              |
| Payment of interest on lease liabilities  | (36.00)                              | (3.79)                               |
| <b>NET CASH GENERATED FROM / (USED IN) FROM FINANCING ACTIVITIES</b>  | <b>120,648.04</b>                    | <b>27,535.03</b>                     |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>   | <b>18,152.91</b>                     | <b>(4,808.43)</b>                    |
| Cash and Cash Equivalents at the beginning of Year  | 9,664.31                             | 14,474.42                            |
| Cash and Cash Equivalents at the end of the Year  | 27,817.26                            | 9,664.31                             |

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

As per our report of even date

For S G C O &amp; Co. LLP

Chartered Accountants

ICAI Firm registration number : 112081W/W100184

 per Suresh Murarka  
Partner

Membership No.044739

 For and on behalf of the Board of Directors of  
IKF Finance Limited

V.G.K Prasad

Chairman

DIN: 0317992

Vosumathi Devi Koganti

Managing Director

DIN: 03161150

Ch.Sreenivasa Rao

Company Secretary &amp; Chief Financial Officer

M.No. ACS14723

Date: 30-May-23

Place: Mumbai



**IKF Finance Limited**
**Consolidated Statement of Changes in Equity for the year ended March 31, 2023**

(Currency : INR in lakhs)

**A. Equity share capital**
**Current Reporting Period**

| Particulars   | Balance at the beginning of the current reporting period<br>As at March 31, 2022 | Changes in Equity Share Capital due to prior period errors | Restated balance at the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period<br>As at March 31, 2023 |
|---|--|--|---|---|--|
| Issued, Subscribed and paid up - fully paid<br>(Equity shares of Rs.10 each, Fully paid-up) | 5,265.91   | -  | 5,265.91  | 1,191.60  | 6,457.51   |

**Previous Reporting Period**

| Particulars   | Balance at the beginning of the current reporting period<br>As at March 31, 2021 | Changes in Equity Share Capital due to prior period errors | Restated balance at the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period<br>As at March 31, 2022 |
|---|--|--|---|---|--|
| Issued, Subscribed and paid up - fully paid<br>(Equity shares of Rs.10 each, Fully paid-up) | 4,747.94   | -  | 4,747.94  | 517.97  | 5,265.91   |
| Issued, Subscribed and paid up - partly paid  | 419.55   | -  | 419.55  | (419.55)  | -  |

**B. Other equity**

| Particulars   | Reserves and Surplus |                 |                    |                 |                             |                   | Total            |
|---|----------------------|-----------------|--------------------|-----------------|-----------------------------|-------------------|------------------|
|   | Statutory Reserve    | Capital Reserve | Securities Premium | General Reserve | Share based payment Reserve | Retained Earnings |                  |
| <b>Balance at March 31, 2021</b>                            | <b>4,685.86</b>      | <b>32.50</b>    | <b>9,960.39</b>    | <b>1,019.93</b> | <b>30.65</b>                | <b>14,439.99</b>  | <b>30,169.33</b> |
| Prior Period Items  | -                    | -               | -                  | -               | -                           | 9.59              | 9.59             |
| Restated Balance at the beginning of the reporting period   | 4,685.86             | 32.50           | 9,960.39           | 1,019.93        | 30.65                       | 14,449.58         | 30,178.92        |
| Profit for the year   | -                    | -               | -                  | -               | -                           | 5,037.79          | 5,037.79         |
| Other comprehensive income for the year                     | -                    | -               | -                  | -               | -                           | 9.58              | 9.58             |
| <b>Total comprehensive income for the year (net of tax)</b> | -                    | -               | -                  | -               | -                           | <b>5,047.37</b>   | <b>5,047.37</b>  |
| Transfer to Statutory Reserve                               | 1,056.19             | -               | -                  | -               | -                           | (1,056.19)        | -                |
| Transfer to General Reserve                                 | -                    | -               | -                  | 201.52          | -                           | (201.52)          | -                |
| Transfer to Hedge Reserve                                   | -                    | -               | -                  | -               | -                           | (55.33)           | (55.33)          |
| Issue of equity shares                                      | -                    | -               | 615.97             | -               | -                           | -                 | 615.97           |
| Share based payment expense                                 | -                    | -               | -                  | -               | (6.03)                      | -                 | (6.03)           |
| <b>Balance at March 31, 2022</b>                            | <b>5,742.05</b>      | <b>32.50</b>    | <b>10,576.37</b>   | <b>1,221.45</b> | <b>24.62</b>                | <b>18,183.91</b>  | <b>35,780.90</b> |
| Prior Period Items  | -                    | -               | -                  | -               | -                           | (280.75)          | (280.75)         |
| Restated Balance at the beginning of the reporting period   | 5,742.05             | 32.50           | 10,576.37          | 1,221.45        | 24.62                       | 17,903.16         | 35,500.16        |
| Profit for the year   | -                    | -               | -                  | -               | -                           | 6,065.83          | 6,065.83         |
| Other comprehensive income for the year                     | -                    | -               | -                  | -               | -                           | 28.09             | 28.09            |
| <b>Total comprehensive income for the year (net of tax)</b> | -                    | -               | -                  | -               | -                           | <b>6,093.92</b>   | <b>6,093.92</b>  |
| Transfer to Statutory Reserve                               | 1,268.00             | -               | -                  | -               | -                           | (1,268.00)        | -                |
| Transfer to General Reserve                                 | -                    | -               | -                  | 250.03          | -                           | (250.03)          | -                |
| Transfer to Hedge Reserve                                   | -                    | -               | -                  | -               | -                           | 39.87             | 39.87            |
| Issue of equity shares                                      | -                    | -               | 24,315.23          | -               | -                           | -                 | 24,315.23        |
| Share based payment expense                                 | -                    | -               | -                  | -               | (4.00)                      | -                 | (4.00)           |
| <b>Balance at March 31, 2023</b>                            | <b>7,010.06</b>      | <b>32.50</b>    | <b>34,891.60</b>   | <b>1,471.48</b> | <b>20.63</b>                | <b>22,518.92</b>  | <b>65,945.19</b> |

As per our report of even date

For S G C O & Co. LLP  
Chartered Accountants  
ICA! Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.044739

Place: Mumbai  
Date: 30-May-23

For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP1991PLC012736

V.G.K Prasad  
Chairman  
DIN: 01817992

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

Ch.Sreenivasa Rao  
Company Secretary & Chief Financial Officer  
M.No. ACS14723

Place: Vijayawada  
Date: 30-May-23



## **IKF Finance Limited**

### **Notes to the Consolidated financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

#### **1 Group Information**

IKF Finance Limited ('the Company' or 'the Holding Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and classified as a Non-Banking Financial Company- Asset Finance Company ('NBFC-AFC') with effect from May 12, 2014. The Company provides finance for commercial vehicles, construction equipment and other loans.

The consolidated financial statements relates to the Company and its subsidiary company IKF Home Finance Limited (IKFHF) ("together hereinafter referred to as "Group").

##### **1.1 Basis of Consolidation**

i. The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2023 and are prepared based on the accounting policies consistent with those used by the Company.

ii. Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosures. The accounting policies, notes and disclosures made by the parent are best viewed in its standalone financial statements.

The consolidated financial statements have been prepared on the following basis:

a. The financial statements of the Company and its subsidiary company has been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions have been fully eliminated except where losses are realized.

b. The excess of cost to the Company of its investments in the subsidiary company over its share of equity of the subsidiary company, at the dates on which the investments in the subsidiary company is made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

c. Minority interest in the net assets of the consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary companies were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group to arrive at the income attributable to shareholders of the Company.

d. Goodwill arising on consolidation is not amortized but tested for impairment.

Subsidiary Considered in preparation of these consolidated financial statements are as under:

| Name of the subsidiary   | Country of in corporation | Proportion of ownership |
|--------------------------|---------------------------|-------------------------|
| IKF Home Finance Limited | India                     | 92.37%                  |





## **IKF Finance Limited**

### **Notes to the Consolidated financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

## **2 Significant Accounting Policies**

### **2.1 Basis of preparation**

The financial statements for the year ended March 31, 2023 have been prepared by the Group in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from time to time, in this regard. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/ applicable.

### **2.2 Presentation of Financial Statements**

The financial statements are presented as per Division III of the Schedule III to the Companies Act 2013 as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind-AS. The Statement of Cash Flows has been presented as per the requirements of Ind-AS 7 Statement of Cash Flows. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note

34 – Maturity analysis of assets and liabilities.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Group and/or its counterparties

### **2.3 Basis of Measurement**

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments, plan assets of defined benefit plans and share based payment plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR Lakhs in compliance with Schedule III of the Act, unless otherwise stated.

### **2.4 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.



**IKF Finance Limited**

**Notes to the Consolidated financial statements for the year ended March 31, 2023**

(All amount in Rs. Lakhs, unless otherwise stated)

Estimates and underlying assumptions are reviewed on an ongoing basis. Key sources of estimation of uncertainty at the date of financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

**a. Business model assessment**

Classification and measurement of financial assets depends on the results of the sole payments of principal and interest (SPPI) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**b. Effective Interest Rate (EIR) method**

The Group recognizes interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loans given / taken.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and lifecycle of the instruments, as well as expected changes to other fee income/expense that are integral parts of the instrument.

**c. Impairment of loans portfolio**

The measurement of impairment losses on loan assets requires judgement, in estimating the amount and timing of future cash flows and recoverability of collateral values while determining the impairment losses and assessing a significant increase in credit risk.

The Group's Expected Credit Loss (ECL) calculation is the output of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- PD calculation includes historical data, benchmarking, assumptions and expectations of future conditions.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life-time expected credit loss and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.



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The impairment loss on loans and advances is disclosed in more detail in Note 5-Loans and Note 41- Risk Management.

**d. Defined employee benefit assets and liabilities**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**e. Fair value measurement:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**f. Operating Leases**

**Group as a lessee:**

The Group has applied Ind AS 116 using the partial retrospective approach.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right to use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

**Lease Liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future



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payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short term lease**

The Group has elected not to recognise right of use asset and lease liabilities for short term leases of property that has lease term of 12 months or less. The Group recognises lease payment associated with these leases as an expense on a straight line basis over lease term.

**g. Share based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**2.5 Revenue recognition****a. Interest Income on loans**

Interest income is recorded using effective interest rate (EIR) method for all financial assets measured at amortised cost and at fair value through other comprehensive (FVOCI) income.

EIR is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset except for credit impaired asset.

The calculation of the effective interest rate includes transaction costs and fees (loan processing fees, commission paid to direct selling agents and other premiums or discounts) that are an integral part of the contract. Transaction costs include incremental costs that are directly attributable to the acquisition of financial asset.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

**b. Rental Income**

Rental income arising from operating leases is recognised on a straight-line basis over the lease term. In cases where the increase is in line with expected general inflation rental income is recognised as per the contractual terms.

Operating leases are leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset.

**c. Interest income on fixed deposits**

Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate.



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**d. Other income**

Other charges including application fees (penal interest, cheque bouncing charges, etc.) are recognised on realization basis.

**2.6 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at transaction price, which equates fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

A financial asset and a financial liability are offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

**a. Classification and measurement of Financial assets**

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Group classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest rate (EIR) if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group records loans at amortised cost.

Financial assets at fair value through other comprehensive income (FVTOCI)





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Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income and interest income which is recognised in statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

**b. Financial Liabilities**

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss. Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

**c. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group is recognised at the proceeds received, net of directly attributable transaction costs.

**d. Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line or in the period the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

**e. De-recognition of financial assets and financial liabilities****i. Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- i. The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- ii. It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.



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Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- i. The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- ii. The Group cannot sell or pledge the original asset other than as security to the eventual recipients

The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- i. The Group has transferred substantially all the risks and rewards of the asset, or
- ii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**ii. Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

**f. Impairment of Financial Assets**

The Group recognises impairment allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

The ECL provision is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.



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The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorises its loans into three stages as described below:

#### For non-impaired financial instruments

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk (SICR) since initial recognition. A 12-month ECL provision is made for stage 1 financial instruments. In assessing whether credit risk has increased significantly, the Group compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognises lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

#### For impaired financial instruments:

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognises lifetime ECL for impaired financial instruments.

#### **The calculation of ECLs**

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

##### **Probability of Default (PD) -**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PD is further explained in Note 41- Risk Management.

**Exposure at Default** - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**Loss Given Default** – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

#### **Collateral Valuation**

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as movable and immovable assets, guarantees, etc. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Group uses active market data for



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valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using other methodologies. Non-financial collateral, such as vehicles, is valued based on data provided by third parties or management judgements.

**Collateral repossessed**

In its normal course of business whenever default occurs, the Group may take possession of properties or other assets in its retail portfolio and generally disposes such assets through auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, assets under legal repossession processes are not recorded on the balance sheet.

**Write-offs**

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when it is determined that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

**g. Derivative Financial Instruments**

A derivative is a financial instrument or other contract with all of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or, other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. underlying)
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at future date.
- The Company enters into derivative transactions with various counterparties to hedge its foreign currency risks and interest rate risks. Derivative transaction consists of hedging of foreign exchange transactions, which includes interest rate and currency swaps, interest rate options and forwards. The Company undertakes derivative transactions for hedging on-balance sheet liabilities.

**Hedge Accounting:**

Initial Recognition and subsequent remeasurement:

The group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains and losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

**h. Determination of fair value**

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Group measures certain categories of financial instruments (as explained in Note 40- Fair Value Measurement) at fair value on each balance sheet date.



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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

**Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

**Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

**Level 3 financial instruments** - Those that include one or more unobservable input that is significant to the measurement as whole.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. No such instances of transfers between levels of the fair value hierarchy were recorded during the reporting period.

## **2.7 Property, plant and equipment**

Property, plant and equipment are carried at cost of acquisition less accumulated depreciation and accumulated impairment loss (if any). The total cost of the asset comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Advances paid towards the acquisition of assets outstanding at each balance sheet date are disclosed as other non-financial assets. The cost of assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.





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Depreciation is provided on a straight-line method, over the estimated useful life of each asset as prescribed in Schedule II of the Companies Act, 2013 as follows:

| Asset                         | Useful Life |
|-------------------------------|-------------|
| Building                      | 60 years    |
| Office Equipment              | 5 years     |
| Furniture and Fixture*        | 10 years    |
| Computers                     | 3 years     |
| Vehicles (Car, Lorry, Bus)    | 8 years     |
| Vehicles (Bike, Moped, Cycle) | 10 years    |
| Servers                       | 6 years     |

\*Useful life for Furniture and Fixture for IKF Home Finance Limited is 5 Years. For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

An item of property, plant and equipment, is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**2.8 Intangible assets**

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Cost comprise the purchase price and any attributable cost of bringing the asset to its working condition for its intended use

Intangible assets are amortised on a straight line basis over their estimated useful life.

The estimated useful life of intangible assets are as follows:

| Asset    | Useful Life |
|----------|-------------|
| Software | 6 years     |

**2.9 Impairment of non-financial assets**

Assessment is done at each balance sheet date as to whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the



continuing use of an asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit (CGU). An asset or CGU whose carrying value exceeds its recoverable amount is considered impaired and is written down to its recoverable amount. Assessment is also done at each balance sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting years may no longer exist or may have decreased.

## **2.10 Employee benefits**

### **Defined Contribution Plan:**

The Group has a defined contribution plan for post-employment benefits in the form of Provident Fund. Under the Provident Fund Plan, the Group contributes to a Government administered provident fund / recognized provident fund on behalf of the employees. The Group has no further obligation beyond making the contributions.

The Group's contributions to the above Plan are charged to the Statement of Profit and Loss.

### **Defined Benefit Plan:**

The Group provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service as required under 'The Payment of Gratuity Act, 1972'. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### **Other Employee Benefits:**



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The employees of the Group are entitled to compensated absence and deferred compensation as per the policy of the Group, the liability in respect of which is provided, based on an actuarial valuation carried out by an independent actuary as at the year end. The actuarial valuation method used by the independent actuary for measuring the liability is the Projected Unit Credit Method.

Actuarial gains and losses comprise experience adjustments and the effects of changes in the actuarial assumptions are recognized immediately in the Statement of Profit and Loss in the year in which they arise.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. Unutilised leave balance that accrues to employees as at the year end is charged to the Statement of Profit and Loss on an undiscounted basis.

#### **2.11 Income Taxes**

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity or in OCI.

##### *(a) Current tax*

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### *(b) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Group:

- has a legally enforceable right to set off current tax assets against current tax liabilities; and



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- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### **2.12 Provision and contingencies**

A provision is recognised when the Group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

A contract is considered as onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

#### **2.13 Earnings per share**

The Group reports basic and diluted earnings per share in accordance with Indian Accounting Standard 33 – "Earnings Per Share". Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders for the year by weighted average number of equity shares considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all potential equity shares.

#### **2.14 Cash and cash equivalent**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### **2.15 Statement of cash flows**

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

#### **2.16 Share based payments**



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(All amount in Rs. Lakhs, unless otherwise stated)

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.





**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**3 Cash and cash equivalents**

| Particulars                             | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Cash on hand                            | 231.31                  | 107.03                  |
| Balances with banks in current accounts | 27,585.95               | 9,557.28                |
| <b>Total</b>                            | <b>27,817.25</b>        | <b>9,664.31</b>         |

**4. Bank balance other than cash and cash equivalents**

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Balances with banks to the extent held as margin money* | 6,098.78                | 2,533.65                |
| <b>Total</b>  | <b>6,098.78</b>         | <b>2,533.65</b>         |

\*Represent margin money deposits placed to avail term loans from banks, financial institutions and as cash collateral in connection with securitisation transactions.



**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**5 Loans**

| Particulars                                     | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| (i) Term loans                                  | 272,327.28              | 192,822.33              |
| (ii) Others (ICD)                               | 200.00                  | -                       |
| (iii) Staff loans                               | 83.39                   | 35.04                   |
| <b>Total</b>                                    | <b>272,610.68</b>       | <b>192,857.37</b>       |
| Less: Impairment loss allowance                 | 3,690.63                | 3,647.26                |
| <b>Total - Net of impairment loss allowance</b> | <b>268,920.04</b>       | <b>189,210.12</b>       |
| (i) Secured by tangible assets*                 | 272,327.28              | 192,822.33              |
| (i) Secured by intangible assets                | -                       | -                       |
| (ii) Covered by Bank/ Government Guarantees     | -                       | -                       |
| (iii) Unsecured                                 | 283.39                  | 35.04                   |
| <b>Total</b>                                    | <b>272,610.68</b>       | <b>192,857.37</b>       |
| Less: Impairment loss allowance                 | 3,690.63                | 3,647.26                |
| <b>Total - Net of impairment loss allowance</b> | <b>268,920.04</b>       | <b>189,210.12</b>       |
| (i) Public sectors                              | -                       | -                       |
| (ii) Others                                     | 272,610.68              | 192,857.37              |
| <b>Total</b>                                    | <b>272,610.68</b>       | <b>192,857.37</b>       |
| Less: Impairment loss allowance                 | 3,690.63                | 3,647.26                |
| <b>Total - Net of impairment loss allowance</b> | <b>268,920.04</b>       | <b>189,210.12</b>       |
| (i) Loans in India                              | 272,610.68              | 192,857.37              |
| (ii) Loans outside India                        | -                       | -                       |
| <b>Total</b>                                    | <b>272,610.68</b>       | <b>192,857.37</b>       |
| Less: Impairment loss allowance                 | 3,690.63                | 3,647.26                |
| <b>Total - Net of impairment loss allowance</b> | <b>268,920.04</b>       | <b>189,210.12</b>       |

\*Secured against hypothecation of automobiles, book debts, equitable mortgage of immovable property etc.

5.1 The table below discloses credit quality and the maximum exposure to credit risk based on the company's year end stage classification. The numbers presented are gross of impairment loss allowance:

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--------------|-------------------------|-------------------------|
| Term loans   |                         |                         |
| Stage I      | 226,752.91              | 161,721.80              |
| Stage II     | 38,975.34               | 26,443.87               |
| Stage III    | 6,599.03                | 4,656.66                |
| <b>Total</b> | <b>272,327.28</b>       | <b>192,822.33</b>       |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**6 Other Financial Assets**

| Particulars                              | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Rent and utility deposit                 | 373.95                  | 299.17                  |
| Excess Interest Spread (EIS) Receivables | 3,972.47                | 2,719.59                |
| Other -unsecured, considered good        | 412.74                  | 202.99                  |
| <b>Total</b>                             | <b>4,759.16</b>         | <b>3,221.75</b>         |

**7 Investments**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>Investment in Equity instruments</b>  |                         |                         |
| - Subsidiary (at cost)   |                         |                         |
| IKF Home finance limited*  |                         |                         |
| (March 31,2023:5,74,04,177 Equity shares of Rs 10 each fully paid ; March 31, 2022: 3,76,14,747 Equity shares of Rs. 10 each, fully paid & 1,97,89,430 Equity shares of Rs. 2.77, partly paid) |                         |                         |
| <b>Investment in Debt instruments</b>  |                         |                         |
| - Market Linked Debentures (at Fair Value through Profit or loss)  | 17,160.75               |                         |
| - Debentures (at Amortised Cost)   | 4,087.07                |                         |
| <b>Total (A)</b>   | <b>21,247.83</b>        | <b>-</b>                |
| (i) Investments in India   | 21,247.83               | -                       |
| (ii) Investments outside India   |                         | -                       |
| <b>Total (B)</b>   | <b>21,247.83</b>        | <b>-</b>                |

**8 Other Non-Financial Assets**

| Particulars                       | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|-----------------------------------|-------------------------|-------------------------|
| Prepaid expenses                  | 360.57                  | 168.34                  |
| Advances to employees             | 0.67                    | 7.04                    |
| GST input credit                  | 523.41                  | 404.84                  |
| Other -unsecured, considered good | 2,502.84                | 500.00                  |
| <b>Total</b>                      | <b>3,387.50</b>         | <b>1,080.22</b>         |



5.2 Gross movement of loans for the year ended March 31, 2023:-

| Particulars  | Stage I     | Stage II    | Stage III  | Total       |
|--|-------------|-------------|------------|-------------|
| <b>Gross carrying amount as at April 1, 2022</b>     |             |             |            |             |
| Term loans   | 161,721.80  | 26,443.87   | 4,656.66   | 192,822.34  |
| Staff loans  | 35.04       | -           | -          | 35.04       |
| New loans originated during the year                 |             |             |            |             |
| Term loans   | 153,415.19  | 8,116.97    | 768.52     | 162,300.68  |
| Staff loans  | 48.80       | -           | -          | 48.80       |
| Inter-stage movements:                               |             |             |            |             |
| -Term loans  |             |             |            |             |
| Transfers to Stage 1                                 | 2,078.91    | (2,051.41)  | (27.50)    | -           |
| Transfers to Stage 2                                 | (21,860.72) | 21,887.11   | (26.39)    | -           |
| Transfers to Stage 3                                 | (1,735.52)  | (1,626.22)  | 3,361.74   | -           |
| Interest on stage 3 loans                            | -           | -           | 147.66     | 147.66      |
| Amounts written off                                  |             |             |            |             |
| Term loans   | (123.40)    | (27.92)     | (343.48)   | (494.82)    |
| Staff loans  | -           | -           | -          | -           |
| Assets derecognised or repaid (excluding write offs) |             |             |            |             |
| Term loans   | (66,743.35) | (13,767.06) | (1,938.16) | (82,448.58) |
| Staff loans  | (0.45)      | -           | -          | (0.45)      |
| <b>Gross carrying amount as at March 31, 2023</b>    |             |             |            |             |
| Term loans   | 226,752.91  | 38,975.35   | 6,599.03   | 272,327.28  |
| Staff loans  | 83.39       | -           | -          | 83.38       |
| Others (ICD)   | 200.00      | -           | -          | 200.00      |

5.3 Gross movement of loans for the year ended March 31, 2022:-

| Particulars  | Stage I     | Stage II    | Stage III  | Total       |
|--|-------------|-------------|------------|-------------|
| <b>Gross carrying amount as at April 1, 2021</b>     |             |             |            |             |
| Term loans   | 100,018.78  | 58,131.52   | 4,454.88   | 162,605.17  |
| Staff loans  | 49.69       | -           | -          | 49.69       |
| New loans originated during the year                 |             |             |            |             |
| Term loans   | 99,110.41   | 2,811.58    | 104.45     | 102,026.44  |
| Staff loans  | 6.35        | -           | -          | -           |
| Inter-stage movements:                               |             |             |            |             |
| -Term loans  |             |             |            |             |
| Transfers to Stage 1                                 | 17,773.41   | (17,658.73) | (114.68)   | -           |
| Transfers to Stage 2                                 | (9,592.88)  | 9,668.04    | (75.16)    | -           |
| Transfers to Stage 3                                 | (637.07)    | (1,753.03)  | 2,390.10   | -           |
| Interest on stage 3 loans                            | -           | -           | 113.81     | 113.81      |
| Amounts written off                                  |             |             |            |             |
| Term loans   | (48.00)     | (103.66)    | (584.28)   | (735.96)    |
| Staff loans  | -           | -           | -          | -           |
| Assets derecognised or repaid (excluding write offs) |             |             |            |             |
| Term loans   | (44,902.85) | (24,651.85) | (1,632.43) | (71,187.13) |
| Staff loans  | (21.00)     | -           | -          | (21.00)     |
| <b>Gross carrying amount as at March 31, 2022</b>    |             |             |            |             |
| Term loans   | 161,721.80  | 26,443.87   | 4,656.66   | 192,822.33  |
| Staff loans  | 35.04       | -           | -          | 35.04       |

5.4 ECL movement of term loans during the year ended March 31, 2023:-

| Particulars  | Stage I  | Stage II | Stage III | Total    |
|--|----------|----------|-----------|----------|
| <b>Gross carrying amount as at April 1, 2022</b>     | 1,344.50 | 703.95   | 1,598.80  | 3,647.25 |
| New loans originated during the year                 | 983.77   | 152.21   | 97.30     | 1,233.27 |
| Inter-stage movements:                               |          |          |           |          |
| Transfers to Stage 1                                 | 49.92    | (46.26)  | (3.66)    | -        |
| Transfers to Stage 2                                 | (317.01) | 335.15   | (18.14)   | -        |
| Transfers to Stage 3                                 | (58.54)  | (79.27)  | 137.81    | -        |
| Amounts written off                                  | (4.80)   | (4.38)   | (320.19)  | (329.37) |
| Assets derecognised or repaid (excluding write offs) | (580.69) | (280.08) | 0.24      | (860.53) |
| <b>Gross carrying amount as at March 31, 2023</b>    | 1,417.16 | 781.31   | 1,492.17  | 3,690.63 |

5.5 ECL movement of term loans during the year ended March 31, 2022:-

| Particulars  | Stage I  | Stage II | Stage III | Total    |
|--|----------|----------|-----------|----------|
| <b>Gross carrying amount as at April 1, 2021</b>     | 1,023.56 | 1,582.69 | 1,263.94  | 4,165.29 |
| New loans originated during the year                 | 861.26   | 72.22    | 39.11     | 972.60   |
| Inter-stage movements:                               |          |          |           |          |
| Transfers to Stage 1                                 | 659.50   | (627.85) | (31.64)   | -        |
| Transfers to Stage 2                                 | (189.15) | 229.21   | (40.06)   | -        |
| Transfers to Stage 3                                 | (46.96)  | (80.56)  | 127.51    | -        |
| Amounts written off                                  | (1.49)   | (14.10)  | (395.79)  | (411.38) |
| Assets derecognised or repaid (excluding write offs) | (962.22) | (457.66) | 635.73    | (784.14) |
| <b>Gross carrying amount as at March 31, 2022</b>    | 1,344.50 | 703.95   | 1,598.80  | 3,647.25 |



**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**9 Property, plant and equipment**

| Particulars                                     | Leasehold Improvements | Furniture and Fixtures | Computer & Printer | Office equipment | Vehicles | Total   | Right to Use Assets |
|---|------------------------|------------------------|--------------------|------------------|----------|---------|---------------------|
| <b>Gross carrying amount</b>                    |                        |                        |                    |                  |          |         |                     |
| As at March 31, 2021                            | 29.13                  | 288.24                 | 116.73             | 28.44            | 111.34   | 573.88  | 187.50              |
| Additions                                       | -                      | 32.55                  | 82.16              | 0.16             | -        | 114.86  | 4.91                |
| Disposals                                       | -                      | -                      | (0.25)             | -                | -        | (0.25)  | (1.67)              |
| As at March 31, 2022                            | 29.13                  | 320.79                 | 198.64             | 28.60            | 111.34   | 688.50  | 190.74              |
| Additions                                       | -                      | 22.68                  | 97.29              | 11.50            | -        | 131.47  | 457.34              |
| Disposals                                       | -                      | (2.47)                 | (27.70)            | (0.54)           | -        | (30.71) | (22.89)             |
| As at March 31, 2023                            | 29.13                  | 341.00                 | 268.24             | 39.55            | 111.34   | 789.26  | 625.18              |
| <b>Accumulated depreciation and impairment:</b> |                        |                        |                    |                  |          |         |                     |
| As at March 31, 2021                            | 10.61                  | 104.49                 | 85.55              | 12.21            | 41.60    | 254.46  | 141.81              |
| Depreciation for the year                       | 2.95                   | 40.37                  | 28.69              | 3.98             | 15.25    | 91.24   | 30.19               |
| Disposals                                       | -                      | -                      | (0.20)             | -                | -        | (0.20)  | (0.93)              |
| As at March 31, 2022                            | 13.55                  | 144.85                 | 114.05             | 16.19            | 56.85    | 345.49  | 171.07              |
| Depreciation for the year                       | 2.94                   | 38.15                  | 48.33              | 5.31             | 14.78    | 109.50  | 154.86              |
| Disposals                                       | -                      | (1.96)                 | (26.31)            | (0.48)           | -        | (28.75) | (13.97)             |
| As at March 31, 2023                            | 16.49                  | 181.02                 | 136.06             | 21.02            | 71.63    | 426.24  | 311.96              |
| <b>Net book value</b>                           |                        |                        |                    |                  |          |         |                     |
| As at March 31, 2021                            | 18.52                  | 183.75                 | 31.18              | 16.23            | 69.74    | 319.41  | 45.68               |
| As at March 31, 2022                            | 15.58                  | 175.94                 | 84.60              | 12.41            | 54.49    | 343.00  | 19.67               |
| As at March 31, 2023                            | 12.64                  | 159.98                 | 132.18             | 18.53            | 39.71    | 363.02  | 313.21              |

Note: The Company has not revalued any of its property, plant and equipment during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.





**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**10 Investment Property**

| Particulars               | Buildings | Land     | Total    |
|---------------------------|-----------|----------|----------|
| Gross carrying amount     |           |          |          |
| As at March 31, 2021      | 6.98      | -        | 6.98     |
| Additions                 | -         | 224.11   | 224.11   |
| Disposals                 | -         | (116.10) | (116.10) |
| As at March 31, 2022      | 6.98      | 108.01   | 114.99   |
| Additions                 | -         | -        | -        |
| Disposals                 | -         | (42.00)  | (42.00)  |
| As at March 31, 2023      | 6.98      | 66.01    | 72.99    |
| As at March 31, 2021      | 0.51      | -        | 0.51     |
| Depreciation for the year | 0.17      | -        | 0.17     |
| Disposals                 | -         | -        | -        |
| As at March 31, 2022      | 0.68      | -        | 0.68     |
| Depreciation for the year | 0.17      | -        | 0.17     |
| Disposals                 | -         | -        | -        |
| As at March 31, 2023      | 0.85      | -        | 0.85     |
| Net book value            |           |          |          |
| As at March 31, 2021      | 6.47      | -        | 6.47     |
| As at March 31, 2022      | 6.30      | 108.01   | 114.31   |
| As at March 31, 2023      | 6.13      | 66.01    | 72.14    |

**(i) Amounts recognised in Statement of Profit and Loss for Investment Property**

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Rental Income   | 7.63                         | 7.63                         |
| Direct operating expense from property that generated rental income | -                            | -                            |
| Profit from investment properties before depreciation               | 7.63                         | 7.63                         |
| Depreciation  | 0.17                         | 0.17                         |
| Profit from investment properties                                   | 7.46                         | 7.46                         |

**(ii) Contractual obligations**

The Company has no contractual obligations to purchase, construct or develop investment property. However, the responsibility for its repairs, maintenance or enhancements is with the Company.

**(iii) Fair value**

The fair valuation of investment property as at March 31, 2023 is INR 394.18 lakhs( PY: INR 389.65 lakhs)

**(iv) Pledged details**

Investment property pledged in favor of consortium leader central bank for cash credit facility.

**(v) Estimation of fair value**

The fair values of investment property is determined by guidance value given by the local government of the area where the investment properties are located.

**(vi) Revaluation**

The Company has not revalued any of its investment property during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.



**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**11 Intangible assets**

| Particulars                                    | Computer software |
|--|-------------------|
| <b>Gross carrying amount</b>                   |                   |
| As at March 31, 2021                           | 366.63            |
| Additions                                      | 37.27             |
| Disposal                                       | -                 |
| As at March 31, 2022                           | 403.90            |
| Additions                                      | 137.39            |
| Disposal                                       | -                 |
| As at March 31, 2023                           | 541.29            |
| <b>Accumulated amortisation and impairment</b> |                   |
| As at March 31, 2021                           | 159.30            |
| Amortisation for the year                      | 68.64             |
| Disposal                                       | -                 |
| As at March 31, 2022                           | 227.93            |
| Amortisation for the year                      | 77.14             |
| Disposal                                       | -                 |
| As at March 31, 2023                           | 305.07            |
| <b>Net book value</b>                          |                   |
| As at March 31, 2021                           | 207.33            |
| As at March 31, 2022                           | 175.97            |
| As at March 31, 2023                           | 236.22            |

Note: The Company has not revalued any of its intangible assets during the years ended March 31, 2023 and March 31, 2022. Hence, the amount of change in gross and net carrying amount due to revaluation and impairment losses/reversals is nil.

**12 Trade Payables**

| Particulars  | As at March 31, 2023 | As at March 31, 2022 |
|--|----------------------|----------------------|
| Total outstanding dues of:   |                      |                      |
| (i) total outstanding dues of micro enterprises and small enterprises; (refer note 12.1 below) | -                    | -                    |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises    | 113.02               | 7.09                 |
| <b>Total</b>   | <b>113.02</b>        | <b>7.09</b>          |

**12.1 Disclosure relating to Micro, Small and Medium Enterprises**

| Particulars   | As at March 31, 2023 | As at March 31, 2022 |
|---|----------------------|----------------------|
| (i) Principal amount remaining unpaid to any supplier   | -                    | -                    |
| (ii) Interest due thereon remaining unpaid to any supplier  | -                    | -                    |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day                             | -                    | -                    |
| (iv) The amount of interest due and payable for the year  | -                    | -                    |
| (v) The amount of interest accrued and remaining unpaid   | -                    | -                    |
| (vi) The amount of further interest due and payable even in the succeeding year until such date when the interest dues as above are actually paid | -                    | -                    |
| <b>Total</b>  | <b>-</b>             | <b>-</b>             |

12.2 Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors

**12.3 Trade Payable aging schedule**

As at Mar 31, 2023

| Particulars                 | Outstanding for following periods from due date of payment |                  |           |           |                   | Total         |
|-----------------------------|--|------------------|-----------|-----------|-------------------|---------------|
|                             | Unbilled   | Less than 1 year | 1-2 years | 2-3 years | More Than 3 Years |               |
| (i) MSME                    | -  | -                | -         | -         | -                 | -             |
| (ii) Others                 | 51.52  | 61.51            | -         | -         | -                 | 113.02        |
| (iii) Disputed dues - MSME  | -  | -                | -         | -         | -                 | -             |
| (iv) Disputed dues - Others | -  | -                | -         | -         | -                 | -             |
| <b>Total</b>                | <b>51.52</b>   | <b>61.51</b>     | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>113.02</b> |

As at Mar 31, 2022

| Particulars                 | Outstanding for following periods from due date of payment |                  |           |           |                   | Total       |
|-----------------------------|--|------------------|-----------|-----------|-------------------|-------------|
|                             | Unbilled   | Less than 1 year | 1-2 years | 2-3 years | More Than 3 Years |             |
| (i) MSME                    | -  | -                | -         | -         | -                 | -           |
| (ii) Others                 | -  | 7.09             | -         | -         | -                 | 7.09        |
| (iii) Disputed dues - MSME  | -  | -                | -         | -         | -                 | -           |
| (iv) Disputed dues - Others | -  | -                | -         | -         | -                 | -           |
| <b>Total</b>                | <b>-</b>   | <b>7.09</b>      | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>7.09</b> |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**13 Debt Securities**

| Particulars                      | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|----------------------------------|-------------------------|-------------------------|
| <b>At amortised cost</b>         |                         |                         |
| <b>Secured</b>                   |                         |                         |
| Non convertible debentures       | 17,927.79               | 19,991.02               |
| <b>Unsecured</b>                 |                         |                         |
| Other non convertible debentures | 8,712.88                | 3,816.89                |
| <b>Total</b>                     | <b>26,640.67</b>        | <b>23,807.90</b>        |
| <b>Debt Securities:</b>          |                         |                         |
| Within India                     | 26,640.67               | 23,807.90               |
| Outside India                    |                         |                         |
| <b>Total</b>                     | <b>26,640.67</b>        | <b>23,807.91</b>        |

**Nature of security****Non convertible debentures (secured)**

Non convertible debentures are secured by an exclusive charge by way of hypothecation of specific loan receivable created out of the loan proceeds and mortgage of personal properties of directors in addition to their personal guarantees.

borrowed.

The Company has borrowed funds from banks and financial institutions on the basis of security of current assets. It has filed quarterly returns or statements of current assets with banks and financial institutions and the said returns/statements are in agreement with books of accounts.



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**Terms of repayment of Debt securities as on March 31, 2023**

| Original maturity loan             | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|------------------------------------|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
|                                    |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule         |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Quarterly repayment schedule       |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 9.01%-10.00%  | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 10.01%-11.00% | 4.00                | 3,500.00          | 4.00                     | 3,500.00          | -                     | -                 | 7,000.00  |
|                                    | 11.01%-12.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 12.01%-12.50% | 0                   | 0                 | -                        | -                 | -                     | -                 | -         |
| Yearly repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 8.51%-9.50%   | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 9.51%-10.50%  | 1                   | 833.33            | -                        | -                 | -                     | -                 | 833.33    |
|                                    | 10.51%-11.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Bullet repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | 8.51%-9.50%   | 1                   | 5,000             | -                        | -                 | -                     | -                 | 5,000.00  |
|                                    | 9.51%-10.50%  | 2                   | 6,500             | -                        | 1,000             | -                     | -                 | 7,500.00  |
|                                    | 10.51%-11.50% | -                   | -                 | -                        | 5,500             | -                     | -                 | 5,500.00  |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Total                              |               |                     | 15,833.33         | -                        | 10,000.00         | -                     | -                 | 25,833.33 |
| Add : Interest accrued but not due |               |                     |                   |                          |                   |                       |                   | 862.81    |
| Less : Unamortized Finance Cost    |               |                     |                   |                          |                   |                       |                   | (55.48)   |
| Total Amortized Cost               |               |                     | 15,833.33         |                          | 10,000.00         |                       |                   | 26,640.67 |

**Terms of repayment of Debt securities as on March 31, 2022**

| Original maturity loan             | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|------------------------------------|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
|                                    |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule         |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | -             | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Quarterly repayment schedule       |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 9.01%-10.00%  | 0                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 10.01%-11.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.01%-12.00% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 12.01%-12.50% | 5                   | 650.00            | -                        | -                 | -                     | -                 | 650.00    |
| Yearly repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years                          | 8.51%-9.50%   | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 9.51%-10.50%  | 1                   | 833.33            | 1                        | 833.33            | -                     | -                 | 1,666.67  |
|                                    | 10.51%-11.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Bullet repayment schedule          |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years                          | 8.51%-9.50%   | 1                   | 1,250.00          | 1                        | 5,000.00          | -                     | -                 | 6,250.00  |
|                                    | 9.51%-10.50%  | 1.00                | 1,500.00          | 5                        | 7,500.00          | -                     | -                 | 9,000.00  |
|                                    | 10.51%-11.50% | 0                   | -                 | 4                        | 5,500.00          | -                     | -                 | 5,500.00  |
|                                    | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Total                              |               |                     | 4,233.33          | -                        | 18,833.33         | -                     | -                 | 23,066.67 |
| Add : Interest accrued but not due |               |                     |                   |                          |                   |                       |                   | 832.59    |
| Less : Unamortized Finance Cost    |               |                     |                   |                          |                   |                       |                   | (91.35)   |
| Total Amortized Cost               |               |                     | 4,233.33          |                          | 18,833.33         |                       | -                 | 23,807.91 |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**14 Borrowings (other than debt securities)**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>At amortised cost</b>   |                         |                         |
| Term loans (Secured)   |                         |                         |
| from banks   | 142,720.69              | 74,327.96               |
| from non banking financial companies                             | 26,757.56               | 10,993.61               |
| from financial institutions                                      | 14,876.15               | 9,426.44                |
| From National Housing Bank (NHB)                                 | 2,213.06                | 3,088.86                |
| Term loans (Un Secured)  |                         |                         |
| from other parties   | -                       | -                       |
| Loans repayable on demand (Secured):                             |                         |                         |
| Cash credit from Bank  | 26,514.32               | 33,430.48               |
| Associated liabilities in respect of securitisation transactions | -                       | 871.72                  |
| <b>Total</b>   | <b>213,081.79</b>       | <b>132,139.08</b>       |
| <b>Borrowings:</b>   |                         |                         |
| Within India   | 213,081.79              | 132,139.08              |
| Outside India  |                         |                         |
| <b>Total</b>   | <b>213,081.79</b>       | <b>132,139.07</b>       |

**Nature of security****Term loans (secured)**

Term Loans from bank, financial institutions and NBFCs are secured by an exclusive charge by way of hypothecation of specific loan receivable created out of the loan proceeds and cash collateral by way of fixed deposits and mortgage of personal properties of directors in addition to their personal guarantees.

**Loans repayable on demand (Secured)**

These loans are secured against the first pari passu charge on current assets, book debts and receivables including loans & advances of the Company as per the agreement. Further, the loan has been guaranteed by personal guarantee of director/promoter to the extent of INR 332.20 Cr (March 31, 2022: INR 342.20 Cr).

The Company has utilised the funds raised from banks and financial institutions for the specific purpose for which they were borrowed.

The Company has borrowed funds from banks and financial institutions on the basis of security of current assets. It has filed quarterly returns or statements of current assets with banks and financial institutions and the said returns/statements are in agreement with books of accounts.





Terms of repayment of borrowings (other than debt) as on March 31, 2023

| Terms of repayment of borrowings (other than debt) as on March 31, 2023 |               |                      |                   |                          |                   |                       |                   |            |
|---|---------------|----------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|------------|
| Original maturity loan  | Interest rate | Due within 1 year    |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total      |
|   |               | No. of Installme nts | Amount (In lakhs) | No. of Installme nts     | Amount (In lakhs) | No. of Installme nts  | Amount (In lakhs) |            |
| Monthly repayment schedule  |               |                      |                   |                          |                   |                       |                   |            |
| 1-10 Years  | 5.00%-6.00%   | -                    | -                 | -                        | -                 | -                     | -                 | -          |
|   | 6.01%-7.00%   | -                    | -                 | -                        | -                 | -                     | -                 | -          |
|   | 7.01%-8.00%   | -                    | -                 | -                        | -                 | -                     | -                 | -          |
|   | 8.01%-9.00%   | 83                   | 6,074.90          | 148                      | 9,778.96          | 21                    | 577               | 16,430.78  |
|   | 9.01%-10.50%  | 287                  | 25,588.15         | 465                      | 48,105.12         | 9                     | 572               | 74,265.12  |
|   | 10.51%-11.50% | 48                   | 3,262.97          | 86                       | 5,025.87          | 18                    | 208               | 8,497.17   |
|   | 11.51%-12.50% | 15                   | 998.71            | 21                       | 1,145.85          | -                     | -                 | 2,144.56   |
|   | 12.51%-13.50% | 12                   | 252.40            | 21                       | 367.02            | -                     | -                 | 619.41     |
| Quarterly repayment schedule  |               |                      |                   |                          |                   |                       |                   |            |
| 1-5 Years   | 6.00%-7.00%   | -                    | -                 | -                        | -                 | -                     | -                 | -          |
|   | 7.01%-8.00%   | 16                   | 2,335.20          | 55                       | 4,236.30          | 9                     | 92.80             | 6,664.30   |
|   | 8.01%-9.00%   | 37                   | 6,136.44          | 85                       | 10,274.12         | 9                     | 44.00             | 16,454.56  |
|   | 9.01%-10.50%  | 74                   | 15,311.06         | 160                      | 30,251.00         | 36                    | 1,481.56          | 47,043.62  |
|   | 10.51%-11.50% | 21                   | 4,850.47          | 64                       | 9,959.81          | 9                     | 758.46            | 15,568.73  |
|   | 11.51%-12.50% | -                    | -                 | -                        | -                 | -                     | -                 | -          |
| Bullet repayment schedule   |               |                      |                   |                          |                   |                       |                   |            |
| 1-14 Years  | 5.00%-6.00%   |                      |                   |                          |                   |                       |                   | -          |
|   | 9.51%-10.50%  |                      |                   |                          |                   |                       |                   | -          |
|   | 10.51%-11.50% |                      |                   |                          |                   |                       |                   | -          |
|   | 11.51%-12.50% |                      |                   |                          |                   |                       |                   | -          |
|   | >13.50%       |                      |                   |                          |                   |                       |                   | -          |
| Repayable on Demand   | 9.01%-10.50%  |                      |                   | -                        | -                 | -                     | -                 | -          |
| Total   |               |                      | 64,810.28         |                          | 119,144.05        |                       | 3,733.93          | 187,688.25 |
| Add : Interest accrued but not due                                      |               |                      |                   |                          |                   |                       |                   | 235.23     |
| Less : Unamortized Finance Cost   |               |                      |                   |                          |                   |                       |                   | (1,356.02) |
| Total Amortized Cost  |               |                      | 64,810.28         | -                        | 119,144.05        | -                     | 3,733.93          | 186,567.47 |

Terms of repayment of borrowings (other than debt) as on March 31, 2022

| Details of Repayment of Borrowings (Other than debt) as on March 31, 2022 |               |                     |                   |                          |                   |                       |                   |           |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Monthly repayment schedule  |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years   | 5.00%-6.00%   | 1                   | 245.00            | -                        | -                 | -                     | -                 | 245.00    |
|   | 6.01%-7.00%   | 4                   | 5,335.00          | -                        | -                 | -                     | -                 | 5,335.00  |
|   | 7.01%-8.00%   | 12                  | 930.71            | 11                       | 869.33            | -                     | -                 | 1,800.04  |
|   | 8.01%-9.00%   | 195                 | 9,083.68          | 422                      | 19,554.25         | -                     | -                 | 28,637.92 |
|   | 9.01%-10.50%  | 135                 | 2,699.58          | 214                      | 3,940.44          | -                     | -                 | 6,640.02  |
|   | 10.51%-11.50% | 23                  | 1,098.13          | 28                       | 1,166.67          | -                     | -                 | 2,264.80  |
|   | 11.51%-12.50% | 28                  | 1,692.40          | -                        | -                 | -                     | -                 | 1,692.40  |
| Quarterly repayment schedule  |               |                     |                   |                          |                   |                       |                   |           |
| 1-5 Years   | 6.00%-7.00%   | 12                  | 227.40            | 64                       | 1,208.59          | 17.00                 | 427.80            | 1,863.79  |
|   | 7.01%-8.00%   | 6                   | 216.00            | 25                       | 770.95            | -                     | -                 | 986.95    |
|   | 8.01%-9.00%   | 51                  | 10,639.05         | 109                      | 22,993.69         | 8.00                  | 1,571.43          | 35,204.16 |
|   | 9.01%-10.50%  | 19                  | 3,916.72          | 44                       | 7,314.36          | 11.00                 | 366.35            | 11,597.43 |
|   | 10.51%-11.50% | 19                  | 1,318.24          | 19                       | 796.59            | -                     | -                 | 2,114.82  |
|   | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Bullet repayment schedule   |               |                     |                   |                          |                   |                       |                   |           |
| 1-14 Years  | 5.00%-6.00%   | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | 9.51%-10.50%  | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | 10.51%-11.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | 11.51%-12.50% | -                   | -                 | -                        | -                 | -                     | -                 | -         |
|   | >13.50%       | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Repayable on Demand   | 9.01%-10.50%  | -                   | -                 | -                        | -                 | -                     | -                 | -         |
| Total   |               |                     | 37,401.90         |                          | 58,614.86         |                       | 2,365.58          | 98,382.34 |
| Add : Interest accrued but not due  |               |                     |                   |                          |                   |                       |                   | 166.92    |
| Less : Unamortized Finance Cost   |               |                     |                   |                          |                   |                       |                   | (712.39)  |
| Total Amortized Cost  |               |                     | 37,401.90         | -                        | 58,614.86         | -                     | 2,365.58          | 97,836.87 |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**15 Subordinated Liabilities**

| Particulars                            | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>Unsecured - At amortised cost</b>   |                         |                         |
| Non convertible debentures (Tier-II)   | 16,345.06               | 4,505.22                |
| Indian rupee loan from banks (Tier-II) | -                       | 1,498.23                |
| <b>Total</b>                           | <b>16,345.06</b>        | <b>6,003.46</b>         |
| <b>Subordinated Liabilities:</b>       |                         |                         |
| Within India                           | 16,345.06               | 6,003.46                |
| Outside India                          | -                       | -                       |
| <b>Total</b>                           | <b>16,345.06</b>        | <b>6,003.45</b>         |

**Terms of repayment of subordinated liabilities as on March 31, 2023**

| Terms of Repayment of subordinated liabilities as on March 31, 2023 |               |                     |                   |                          |                   |                       |                   |           |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total     |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |           |
| Bullet repayment schedule   |               |                     |                   |                          |                   |                       |                   |           |
| 1-7 Years   | 11.51%-12.50% |                     |                   |                          |                   |                       |                   | -         |
|   | >13.50%       |                     |                   | 1                        | 2,500.00          | 1                     | 14,000.00         | 16,500.00 |
| Total   |               |                     |                   |                          | 2,500.00          |                       | 14,000.00         | 16,500.00 |
| Add : Interest accrued but not due                                  |               |                     |                   |                          |                   |                       |                   | 8.98      |
| Less : Unamortized Finance Cost                                     |               |                     |                   |                          |                   |                       |                   | (163.92)  |
| Total Amortized Cost  |               |                     |                   |                          | 2,500.00          |                       | 14,000.00         | 16,345.06 |

**Terms of repayment of subordinated liabilities as on March 31, 2022**

| Terms of Repayment of Subordinated Liabilities as on March 31, 2022 |               |                     |                   |                          |                   |                       |                   |          |
|---|---------------|---------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|----------|
| Original maturity loan  | Interest rate | Due within 1 year   |                   | Due between 2 to 5 Years |                   | Due more than 5 Years |                   | Total    |
|   |               | No. of Installments | Amount (In lakhs) | No. of Installments      | Amount (In lakhs) | No. of Installments   | Amount (In lakhs) |          |
| Bullet repayment schedule   |               |                     |                   |                          |                   |                       |                   |          |
| 1-7 Years   | 11.51%-12.50% | 1.00                | 1,500.00          | 2                        | 4,500.00          |                       |                   | 6,000.00 |
|   | >13.50%       |                     |                   |                          |                   |                       |                   |          |
| Total   |               |                     |                   |                          | 4,500.00          |                       | -                 | 6,000.00 |
| Add : Interest accrued but not due                                  |               |                     |                   |                          |                   |                       |                   | 37.37    |
| Less : Unamortized Finance Cost                                     |               |                     |                   |                          |                   |                       |                   | (33.92)  |
| Total Amortized Cost  |               |                     |                   |                          | 4,500.00          |                       | -                 | 6,003.44 |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**16 Other financial liabilities**

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Lease Liabilities  | 322.30                  | 20.09                   |
| Employee benefits payable                                | 441.36                  | 237.92                  |
| Expenses payable   | 26.79                   | 4.45                    |
| Other Payables   | 811.12                  | 832.20                  |
| Deposit from franchisees                                 | 431.47                  | 341.41                  |
| Payable towards securitisation / assignment transactions | 1,993.87                | 1,666.93                |
| <b>Total</b>   | <b>4,026.92</b>         | <b>3,103.00</b>         |

**17 Provisions**

| Particulars                  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------|-------------------------|-------------------------|
| Provision for gratuity       | 205.77                  | 150.63                  |
| Provision for leave benefits | 56.12                   | 194.71                  |
| <b>Total</b>                 | <b>261.89</b>           | <b>345.34</b>           |

**18 Other non-financial liabilities**

| Particulars            | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------|-------------------------|-------------------------|
| Statutory dues payable | 263.49                  | 157.27                  |
| <b>Total</b>           | <b>263.49</b>           | <b>157.27</b>           |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**20. Other equity**

| Particulars  | As at March 31, 2023 | As at March 31, 2022 |
|--|----------------------|----------------------|
| Capital reserve  | 32.50                | 32.50                |
| Securities premium reserve   | 34,891.60            | 10,576.37            |
| Share Based Payment reserve  | 20.63                | 24.62                |
| Statutory Reserve under section 45-IC of the Reserve Bank of India Act, 1934 | 5,993.60             | 4,993.50             |
| Statutory Reserve U/s 29C of NHB Act   | 978.47               | 710.57               |
| Provision U/s 36(viia) Income tax Act, 1961                                  | 37.98                | 37.98                |
| General reserve  | 1,471.49             | 1,221.46             |
| Retained earnings  | 22,518.93            | 18,183.90            |
| <b>Total</b>   | <b>65,945.19</b>     | <b>35,780.90</b>     |

**Nature and purpose of reserve**
**a. Capital reserve**

This reserve was created to record the excess carrying value of optionally convertible debentures provided through securities premium. The excess value is recorded by reversing the capital reserve with corresponding debit to debentures.

**b. Securities premium reserve**

The securities premium reserve is used to record the premium received on issue of shares. The reserve can be utilised only for limited purpose such as issuance of bonus shares in accordance with provision of the Companies Act, 2013.

**c. Statutory reserve**

Reserves created under Section 45IC of The Reserve Bank of India Act, 1934

**d. Share based payment reserve**

The share based payment reserve is used to recognise the grant date fair value of options issued to employees of the Company and its subsidiaries under stock option schemes of the Company.

**e. Retained earnings**

Retained earnings represents surplus / accumulated earnings of the Company and are available for distribution to shareholders.

**f. General Reserve**

It is a free reserve which is created by appropriation from profits of the current year and/or undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.

**g. Statutory Reserve U/s 29C of NHB Act**

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. Accordingly Company has transferred Rs.202.65/- lakhs for the year ended Mar 31, 2023 to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

**h. Provision U/s 36(viia) Income tax Act, 1961**

Reserves created under U/s 36(viia) Income tax Act, 1961

**B. Movement in Other equity**

| Particulars   | As at March 31, 2023 | As at March 31, 2022 |
|---|----------------------|----------------------|
| <b>I. Capital Reserve</b>   |                      |                      |
| Opening balance   | 32.50                | 32.50                |
| Add : Share issued during the year  | -                    | -                    |
|   | <b>32.50</b>         | <b>32.50</b>         |
| <b>II. Securities premium reserve</b>   |                      |                      |
| Opening balance   | 10,576.37            | 9,960.39             |
| Add : Premium received on issue of securities   | 24,315.23            | 615.97               |
|   | <b>34,891.60</b>     | <b>10,576.37</b>     |
| <b>III. Share Based Payment reserve</b>   |                      |                      |
| Opening balance   | 24.62                | 30.65                |
| Add : During the year   | (4.00)               | (6.03)               |
|   | <b>20.63</b>         | <b>24.62</b>         |
| <b>IV. Statutory Reserve under section 45-IC of the Reserve Bank of India Act, 1934</b> |                      |                      |
| Opening balance   | 4,993.50             | 4,187.41             |
| Add : Transfer from retained earnings   | 1,000.10             | 806.09               |
|   | <b>5,993.60</b>      | <b>4,993.50</b>      |
| <b>V. Statutory Reserve U/s 29C of NHB Act</b>  |                      |                      |
| Opening balance   | 724.23               | 474.12               |
| Add : Transfer from retained earnings   | 267.90               | 250.11               |
|   | <b>992.13</b>        | <b>724.23</b>        |
| <b>VI. Provision U/s 36(viia) Income tax Act, 1961</b>                                  |                      |                      |
| Opening balance   | 37.98                | 37.98                |
| Add : Transfer from retained earnings   | -                    | -                    |
|   | <b>37.98</b>         | <b>37.98</b>         |
| <b>VII. General Reserve</b>   |                      |                      |
| Opening balance   | 1,221.46             | 1,019.94             |
| Add : Transfer from retained earnings   | 250.03               | 201.52               |
|   | <b>1,471.49</b>      | <b>1,221.46</b>      |
| <b>VIII. Retained earnings</b>  |                      |                      |
| Opening balance   | 18,183.90            | 14,440.00            |
| Add : Prior Period items  | (280.75)             | 9.60                 |
| Add : Profit for the year   | 6,065.83             | 5,037.77             |
| Add : Other comprehensive income  | 28.10                | 9.58                 |
| <b>Appropriations:</b>  |                      |                      |
| Transfer to Statutory Reserve u/s 45-IC of the Reserve Bank of India Act, 1934          | (1,000.10)           | (806.09)             |
| Transfer to Statutory NHB Reserve   | (267.90)             | (250.11)             |
| Transfer to Hedge Reserve   | 39.87                | (55.33)              |
| Transfer to General reserve   | (250.03)             | (201.52)             |
|   | <b>22,518.93</b>     | <b>18,183.90</b>     |
| <b>Total</b>  | <b>22,518.93</b>     | <b>18,183.90</b>     |



# IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023  
(Currency : INR in lakhs)

## 19. Equity share capital

| Particulars  | As at March 31, 2023 |                  | As at March 31, 2022 |                 |
|--|----------------------|------------------|----------------------|-----------------|
|  | Number               | Amount           | Number               | Amount          |
| <b>Authorised Capital</b>                                    |                      |                  |                      |                 |
| Equity shares of INR 10 each                                 | 80,000,000           | 8,000.00         | 60,000,000           | 6,000.00        |
| Preference shares of INR 100 each                            | 2,500,000            | 2,500.00         | 2,500,000            | 2,500.00        |
|  | <b>82,500,000</b>    | <b>10,500.00</b> | <b>62,500,000</b>    | <b>8,500.00</b> |
| <b>Issued, subscribed and fully paid-up shares</b>           |                      |                  |                      |                 |
| Equity Shares of INR 10 each fully paid up                   | 64,575,050           | 6,457.51         | 47,479,379           | 4,747.94        |
| Coverted from Partly Paid to Fully Paid Equity Shares        | -                    | -                | 5,179,688            | 517.97          |
|  | <b>64,575,050</b>    | <b>6,457.51</b>  | <b>52,659,067</b>    | <b>5,265.91</b> |
| <b>Issued, subscribed and fully paid-up shares</b>           |                      |                  |                      |                 |
| Equity Shares of INR 10 each, Fully paid up INR 10 per share | -                    | -                | 5,179,688            | 517.97          |
| Coverted to Fully Paid Equity Shares                         | -                    | -                | (5,179,688)          | (517.97)        |
|  | -                    | -                | -                    | -               |
| <b>Total</b>   | <b>64,575,050</b>    | <b>6,457.51</b>  | <b>52,659,067</b>    | <b>5,265.91</b> |

## A. Reconciliation of number of shares

| Particulars  | As at March 31, 2023 |                 | As at March 31, 2022 |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | Number               | Amount          | Number               | Amount          |
| <b>Fully paid equity share of INR 10 each</b>                                      |                      |                 |                      |                 |
| At the beginning of the year   | 52,659,067           | 5,265.91        | 47,479,379           | 4,747.94        |
| Shares issued during the year  | 11,915,983           | 1,191.60        | -                    | -               |
| Coverted from Partly Paid to Fully Paid Equity Shares                              | -                    | -               | 5,179,688            | 517.97          |
| <b>Outstanding at the end of the year</b>  | <b>64,575,050</b>    | <b>6,457.51</b> | <b>52,659,067.00</b> | <b>5,265.91</b> |
| <b>Partly paid up equity share of INR 10 each, partly paid up INR 10 per share</b> |                      |                 |                      |                 |
| At the beginning of the year   | -                    | -               | 5,179,688            | 419.55          |
| Amount called/Issued during the year   | -                    | -               | -                    | 98.41           |
| Coverted to Fully Paid Equity Shares   | -                    | -               | (5,179,688)          | (517.97)        |
| <b>Outstanding at the end of the year</b>  | <b>-</b>             | <b>-</b>        | <b>-</b>             | <b>-</b>        |

Notes:

## B. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share fully paid up. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend if and when proposed by the Board of Directors will be subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the equity shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any, in proportion to the number of equity shares held by the shareholder.





**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**C. Details of shareholder(s) holding more than 5% of equity shares in the Company :**

| Name of shareholder   | As at March 31, 2023 |           | As at March 31, 2022 |           |
|---|----------------------|-----------|----------------------|-----------|
|   | No. of shares held   | % Holding | No. of shares held   | % Holding |
| <b>Equity shares of INR 10 each fully paid up</b>   |                      |           |                      |           |
| Vupputuri Gopala Kishan Prasad  | 19,853,581           | 30.74%    | 19,743,156           | 37.49%    |
| India Business Excellence Fund-IIA  | 13,051,546           | 20.21%    | 13,051,546           | 24.78%    |
| Vistra ITCL (India) Limited (formerly known as IL and FS Trust Company Limited) (Trustee of Business Excellence Trust-II - India Business Excellence Fund II) | 7,804,018            | 12.09%    | 7,804,018            | 14.82%    |
| Koganti Vasumathi Devi  | 2,647,266            | 4.10%     | 2,647,266            | 5.03%     |
| Accion Digital Transformation Fund, LP  | 5,581,395            | 8.64%     | -                    | 0.00%     |

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

**D. Shareholding of Promoters**

| Shares held by promoters at the end of the year  | As at March 31, 2023 |                   |                          | As at March 31, 2022 |                   |                          |
|--|----------------------|-------------------|--------------------------|----------------------|-------------------|--------------------------|
|  | No. of Shares        | % of Total Shares | % Change during the year | No. of Shares        | % of Total Shares | % Change during the year |
| <b>a. Equity shares of INR 10 each fully paid up *</b>                                   |                      |                   |                          |                      |                   |                          |
| Vupputuri Gopala Kishan Prasad   | 19,853,581           | 30.74%            | 0.56%                    | 19,743,156           | 37.49%            | 24.36%                   |
| Vupputuri Indira Devi  | 1,648,142            | 2.55%             | 0.00%                    | 1,648,142            | 3.13%             | 24.21%                   |
| Koganti Vasumathi Devi   | 2,647,266            | 4.10%             | 0.00%                    | 2,647,266            | 5.03%             | 24.21%                   |
| Devineni Vasantha Lakshmi  | 2,491,794            | 3.86%             | 0.00%                    | 2,491,794            | 4.73%             | 24.21%                   |
| Vupputuri Raghu Ram  | 1,800,670            | 2.79%             | 0.00%                    | 1,800,670            | 3.42%             | 24.21%                   |
| Durga Rani Chunduri  | 1,494,100            | 2.31%             | 0.00%                    | 1,494,100            | 2.84%             | 0.00%                    |
| Sinha Satyanand Chunduri   | 117,700              | 0.18%             | 0.00%                    | 117,700              | 0.22%             | 0.00%                    |
| <b>b. Equity shares of INR 10 each partly paid up INR 8.10 per share in March 2021 *</b> |                      |                   |                          |                      |                   |                          |
| Vupputuri Gopala Kishan Prasad   | -                    | 0.00%             | -100%                    | -                    | 0.00%             | -100.00%                 |
| Vupputuri Indira Devi  | -                    | 0.00%             | -100%                    | -                    | 0.00%             | -100.00%                 |
| Koganti Vasumathi Devi   | -                    | 0.00%             | -100%                    | -                    | 0.00%             | -100.00%                 |
| Devineni Vasantha Lakshmi  | -                    | 0.00%             | -100%                    | -                    | 0.00%             | -100.00%                 |
| Vupputuri Raghu Ram  | -                    | 0.00%             | -100%                    | -                    | 0.00%             | -100.00%                 |

\* Partly paid shares are full paid and converted to fully paid equity shares

**E. Aggregate number of equity shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

| Particular  | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2021 | As at March 31, 2020 | As at March 31, 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Equity shares of ₹ 10 each, fully paid up, allotted on conversion of 19,53,125/- 0.01% Compulsorily convertible preference share of INR 100 each, Fully paid-up | -                    | -                    | -                    | -                    | 195                  |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**21 Interest income**

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| <b>On financial assets measured at amortised cost</b> |                              |                              |
| Interest on loans                                     | 35,769.67                    | 26,146.27                    |
| Interest on deposits with banks                       | 177.42                       | 155.33                       |
| Interest on investment in debentures                  | 606.38                       | -                            |
| <b>Total</b>  | <b>36,553.47</b>             | <b>26,301.60</b>             |

**22 Fees and commission income**

| Particulars            | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|------------------------|------------------------------|------------------------------|
| Other fees and charges | 890.61                       | 660.15                       |
| <b>Total</b>           | <b>890.61</b>                | <b>660.15</b>                |

**23 Other income**

| Particulars          | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|----------------------|------------------------------|------------------------------|
| Rental income        | 7.63                         | 7.63                         |
| Miscellaneous Income | 393.01                       | 200.33                       |
| <b>Total</b>         | <b>400.64</b>                | <b>207.96</b>                |

**24.1 Finance costs**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>On financial liabilities measured at amortised cost</b> |                              |                              |
| Interest on deposits                                       | 50.07                        | 70.16                        |
| Interest on borrowings                                     | 15,142.76                    | 8,919.18                     |
| Interest on debentures                                     | 1,354.17                     | 2,788.96                     |
| Interest on subordinated liabilities                       | 1,506.21                     | 731.13                       |
| Interest on ICD  | -                            | -                            |
| Interest on lease liabilities                              | 36.00                        | 3.79                         |
| Interest on securitisation                                 | 99.70                        | 475.13                       |
| Bank Charges   | 21.29                        | 12.96                        |
| Other finance cost   | 1,007.32                     | 616.61                       |
| <b>Total</b>   | <b>19,217.53</b>             | <b>13,617.92</b>             |

**24.2 Net loss on fair value changes**

| Particulars                    | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--------------------------------|------------------------------|------------------------------|
| Net loss on fair value changes | -                            | 3.35                         |
| <b>Total</b>                   | <b>-</b>                     | <b>3.35</b>                  |

**25 Impairment on financial instruments**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
| <b>On financial instruments measured at amortised cost</b> |                              |                              |
| Loans  | 43.38                        | (222.93)                     |
| Trade receivables  | -                            | (26.21)                      |
| Bad debts and write offs                                   | 584.83                       | 762.15                       |
| <b>Total</b>   | <b>628.21</b>                | <b>513.01</b>                |

**26 Employee benefits expenses**

| Particulars                               | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Salaries and wages                        | 6,586.19                     | 4,233.65                     |
| Contribution to provident and other funds | 329.63                       | 231.42                       |
| Share based payment to employees          | (4.00)                       | (6.03)                       |
| Staff welfare expenses                    | 146.65                       | 96.83                        |
| Gratuity                                  | 73.23                        | 47.52                        |
| Leave encashment                          | (104.57)                     | 47.07                        |
| <b>Total</b>                              | <b>7,027.13</b>              | <b>4,650.46</b>              |



**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**27 Depreciation, amortization and impairment**

| Particulars                                   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Depreciation on property, plant and equipment | 264.36                       | 121.43                       |
| Depreciation on investment property           | 0.17                         | 0.17                         |
| Amortization of intangible assets             | 77.13                        | 68.63                        |
| <b>Total</b>                                  | <b>341.65</b>                | <b>190.23</b>                |

**28 Other expenses**

| Particulars   | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|---|------------------------------|------------------------------|
| Rent  | 420.81                       | 241.29                       |
| Communication cost                                    | 126.90                       | 70.79                        |
| Travelling and conveyance                             | 285.90                       | 142.23                       |
| Rates and taxes                                       | 524.10                       | 274.65                       |
| Insurance   | 36.19                        | 14.57                        |
| Commission and Brokerage                              | 118.57                       | 39.64                        |
| Repairs and maintenance                               | 84.14                        | 73.33                        |
| Printing and stationary                               | 51.37                        | 32.82                        |
| Payment to auditors (Refer Note 28.1)                 | 29.38                        | 35.57                        |
| Advertisement, publicity and sales promotion expenses | 11.49                        | 3.36                         |
| Operation Cost  | 141.63                       | 69.18                        |
| Legal and professional fees                           | 388.55                       | 222.48                       |
| Corporate social responsibility (Refer Note 28.2)     | 115.66                       | 111.78                       |
| Director sitting fees                                 | 11.40                        | 1.00                         |
| Loss on sale of property, plant and equipment         | 1.91                         | -                            |
| Loss on sale of Investment Property                   | 3.15                         | 6.10                         |
| Miscellaneous expenses                                | 30.68                        | 17.51                        |
| <b>Total</b>  | <b>2,381.84</b>              | <b>1,356.30</b>              |

**28.1 Payment to the auditors:**

| Particulars              | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--------------------------|------------------------------|------------------------------|
| Auditor's remuneration   |                              |                              |
| - Audit fees             | 28.00                        | 24.60                        |
| In other capacity        | -                            | -                            |
| - Certification services | 1.20                         | 10.91                        |
| Other of pocket expenses | 0.18                         | 0.06                         |
| <b>Total</b>             | <b>29.38</b>                 | <b>35.57</b>                 |

**28.2 Corporate social responsibility:**

| Particulars  | Year ended<br>March 31, 2023                | Year ended<br>March 31, 2022                |
|--|---|---|
| a) Amount required to be spent by the company during the year  | 114.47                                      | 104.07                                      |
| b) Amount of expenditure incurred  |   |   |
| i) Construction/acquisition of any asset   | -   | -   |
| ii) On purposes other than (i) above   | 115.56                                      | 111.78                                      |
| c) Shortfall at the end of the year  | -   | -   |
| d) Total of previous years shortfall   | -   | -   |
| e) Net Shortfall   | -   | -   |
| f) Reason for shortfall  | NA  | NA  |
| g) Nature of CSR activities  | Disaster relief,<br>Sanitation and Hygiene. | Disaster relief,<br>Sanitation and Hygiene. |
| h) Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard                   | -   | -   |
| i) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately. | -   | -   |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**29 Income tax**
**(a) Income tax expense**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
|  | INR                          | INR                          |
| <b>Current tax</b>   |                              |                              |
| Current tax on profits for the year  | 1,717.24                     | 1,740.28                     |
| Adjustment for current tax of the prior periods  | 12.91                        | 10.06                        |
| <b>Subtotal (A)</b>  | <b>1,730.14</b>              | <b>1,750.34</b>              |
| <b>Deferred tax</b>  |                              |                              |
| Decrease/(Increase) in deferred tax assets   | (237.76)                     | 65.58                        |
| (Decrease)/Increase in deferred tax liabilities  | 600.49                       | (93.72)                      |
| <b>Subtotal (B)</b>  | <b>362.72</b>                | <b>(28.15)</b>               |
| <b>Deferred tax asset/ (liability) relating to items recognised in other Comprehensive Income (C )</b> | <b>(3.32)</b>                | <b>(3.24)</b>                |
| <b>Income tax expense for the year (A+B-C)</b>   | <b>2,096.18</b>              | <b>1,725.44</b>              |

**(b) Deferred tax**

The major components of deferred tax (liabilities) arising on account of timing differences for the year ended March 31, 2023:

| Particulars   | Net balance<br>March 31, 2022 | Recognised in<br>profit or loss | Recognised<br>in OCI | Net balance<br>March 31, 2023 |
|---|-------------------------------|---------------------------------|----------------------|-------------------------------|
| <b>Deferred tax assets</b>  |                               |                                 |                      |                               |
| Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis | 86.24                         | (24.58)                         | (3.32)               | 58.33                         |
| Impact of provision for expected credit loss on loans   | 775.72                        | 10.27                           |                      | 785.99                        |
| Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting                     | 10.72                         | 4.09                            |                      | 14.81                         |
| Impact of leases under Ind AS 116   | 2.82                          | 67.14                           |                      | 69.96                         |
| EIR impact of financial assets and liabilities  | 37.40                         | 178.54                          |                      | 215.94                        |
| Share based payment   | 6.20                          | (1.01)                          |                      | 5.19                          |
| Others  | -                             |                                 |                      | -                             |
| <b>(A)</b>  | <b>919.09</b>                 | <b>234.44</b>                   | <b>(3.32)</b>        | <b>1,150.21</b>               |
| <b>Deferred tax liabilities</b>   |                               |                                 |                      |                               |
| Impact of amortisation of ancillary borrowing cost  | 120.56                        | 165.58                          |                      | 286.13                        |
| EIR impact of financial assets and liabilities  | 39.98                         | 256.90                          |                      | 296.88                        |
| Impact of direct assignment and securitisation transactions   | 747.75                        | 95.55                           |                      | 843.30                        |
| Interest income recognised on stage 3 loans   | 103.07                        | 17.51                           |                      | 120.57                        |
| Others  | 2.71                          | 64.96                           |                      | 67.68                         |
| <b>(B)</b>  | <b>1,014.06</b>               | <b>600.49</b>                   | <b>-</b>             | <b>1,614.56</b>               |
| <b>Deferred tax assets (net) (A-B)</b>  | <b>(94.98)</b>                | <b>(366.05)</b>                 | <b>(3.32)</b>        | <b>(464.34)</b>               |

The major components of deferred tax (liabilities) arising on account of timing differences for the year ended March 31, 2022:

| Particulars   | Net balance<br>March 31, 2021 | Recognised in<br>profit or loss | Recognised<br>in OCI | Net balance<br>March 31, 2022 |
|---|-------------------------------|---------------------------------|----------------------|-------------------------------|
| <b>Deferred tax assets</b>  |                               |                                 |                      |                               |
| Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis | 75.63                         | 13.83                           | (3.22)               | 86.24                         |
| Impact of provision for expected credit loss on loans   | 838.42                        | (62.70)                         |                      | 775.72                        |
| Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting                     | 2.02                          | 8.70                            |                      | 10.72                         |
| Impact of leases under Ind AS 116   | 7.04                          | (4.22)                          |                      | 2.82                          |
| EIR impact of financial assets and liabilities  | 60.29                         | (22.89)                         |                      | 37.40                         |
| Share based payment   | 7.72                          | (1.52)                          |                      | 6.20                          |
| Others  | -                             | -                               |                      | -                             |
| <b>(A)</b>  | <b>991.12</b>                 | <b>(68.80)</b>                  | <b>(3.22)</b>        | <b>919.10</b>                 |
| <b>Deferred tax liabilities</b>   |                               |                                 |                      |                               |
| Impact of amortisation of ancillary borrowing cost  | 119.00                        | 1.56                            |                      | 120.56                        |
| Remeasurement of defined benefit plan   |                               | -                               |                      |                               |
| EIR impact of financial assets and liabilities  | 86.49                         | (46.51)                         |                      | 39.98                         |
| Impact of direct assignment and securitisation transactions   | 821.63                        | (73.88)                         |                      | 747.75                        |
| Interest income recognised on stage 3 loans   | 74.43                         | 28.64                           |                      | 103.07                        |
| Others  | 6.24                          | (3.53)                          |                      | 2.71                          |
| <b>(B)</b>  | <b>1,107.79</b>               | <b>(93.72)</b>                  | <b>-</b>             | <b>1,014.07</b>               |
| <b>Deferred tax assets (net) (A-B)</b>  | <b>(116.67)</b>               | <b>24.92</b>                    | <b>(3.22)</b>        | <b>(94.98)</b>                |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**(c) Reconciliation of effective tax rate**

| Particulars  | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|--|------------------------------|------------------------------|
|  | INR                          | INR                          |
| Profit before tax as per Statement of profit and loss (A)                  | 8,248.34                     | 6,838.43                     |
| Applicable income tax rate   | 25.17%                       | 25.17%                       |
| Expected Income Tax Expense (B)  | 2,075.94                     | 1,721.10                     |
| <b>Tax effect of:</b>  |                              |                              |
| Effect of income exempt from tax   | (0.55)                       | (0.55)                       |
| Effect of expenses/provisions not deductible in determining taxable profit | 57.95                        | 61.95                        |
| Effect of differential tax rate  | -                            | -                            |
| Adjustment related to tax of prior years                                   | 12.91                        | 10.06                        |
| Others   | (49.89)                      | (67.15)                      |
| <b>Income tax expense</b>  | <b>2,096.38</b>              | <b>1,725.42</b>              |





**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**30 Employee Benefits**
**a. Defined contribution plan - provident funds**

In accordance with Employees' Provident Fund and Miscellaneous Provisions Act, 1952, employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a recognized provident fund administered by Regional Provident Fund Commissioner. The employees contribute 12% of their basic salary and the Company contributes an equal amount.

The Company recognised INR 329.63 lakhs (PY: INR 231.42 lakhs) for year ended March 31, 2023, for provident fund and other contributions in the Statement of profit and loss.

**b. Defined Benefit Plan - Gratuity**

The Company has a defined benefit gratuity plan (unfunded). Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of INR 20 lakhs as per The Payment of Gratuity Act, 1972.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

| Particulars                               | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Present value of obligation (A)           | 205.78                  | 152.37                  |
| Fair Value of plan assets (B)             | -                       | -                       |
| <b>Present value of obligation (A- B)</b> | <b>205.78</b>           | <b>152.37</b>           |

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Obligation expected to be settled in the next 12 months | 16.72                   | 10.64                   |
| Obligation expected to be settled beyond next 12 months | 189.06                  | 141.73                  |

**Movement in net defined benefit (asset) liability**

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| Particulars                                     | Defined Benefit Obligation |                | Fair Value of plan assets |                | Net defined benefit (asset) liability |                |
|---|----------------------------|----------------|---------------------------|----------------|---------------------------------------|----------------|
|   | March 31, 2023             | March 31, 2022 | March 31, 2023            | March 31, 2022 | March 31, 2023                        | March 31, 2022 |
| <b>Opening balance</b>                          | <b>152.37</b>              | <b>127.59</b>  | <b>-</b>                  | <b>-</b>       | <b>152.37</b>                         | <b>127.59</b>  |
| Current service cost                            | 62.11                      | 40.84          | -                         | -              | 62.11                                 | 40.84          |
| Past service cost                               | -                          | -              | -                         | -              | -                                     | -              |
| Interest cost (income)                          | 11.13                      | 8.41           | -                         | -              | 11.13                                 | 8.41           |
| <b>Defined benefit cost included in P&amp;L</b> | <b>73.23</b>               | <b>49.26</b>   | <b>-</b>                  | <b>-</b>       | <b>73.24</b>                          | <b>49.26</b>   |
| <b>Other comprehensive income</b>               |                            |                |                           |                |                                       |                |
| Remeasurement loss (gain) due to:               |                            |                |                           |                |                                       |                |
| Demographic assumptions                         | -                          | -              | -                         | -              | -                                     | -              |
| Financial assumption                            | (2.04)                     | (5.39)         | -                         | -              | (2.04)                                | (5.39)         |
| Experience adjustments                          | (15.37)                    | (7.41)         | -                         | -              | (15.37)                               | (7.41)         |
| <b>Total remeasurements in OCI</b>              | <b>(17.41)</b>             | <b>(12.80)</b> | <b>-</b>                  | <b>-</b>       | <b>(17.41)</b>                        | <b>(12.80)</b> |
| <b>Others</b>                                   |                            |                |                           |                |                                       |                |
| Benefits paid                                   | (2.42)                     | (11.67)        | -                         | -              | (2.42)                                | (11.67)        |
| <b>Closing balance</b>                          | <b>205.79</b>              | <b>152.38</b>  | <b>-</b>                  | <b>-</b>       | <b>205.79</b>                         | <b>152.38</b>  |

**Actuarial assumptions:**

The following were the principal actuarial assumptions at the reporting date:

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| <b>IKF FINANCE LIMITED</b>                                     |                         |                         |
| Discount rate  | 7.51%                   | 7.33%                   |
| Salary escalation rate   | 6.00%                   | 6.00%                   |
| Withdrawal/attrition rate (based on categories)                | 9.00%                   | 9.00%                   |
| Mortality rate (as % of IALM (2012-14) Ult. Mortality Table)   | 100.00%                 | 100.00%                 |
| Disability rate  | 0.00%                   | 0.00%                   |
| Expected weighted average remaining working lives of employees | 25.36 years             | 24.90 years             |
| <b>IKF HOME FINANCE LIMITED</b>                                |                         |                         |
| Discount rate  | 7.50%                   | 7.47%                   |
| Salary escalation rate   | 5.00%                   | 5.00%                   |
| Withdrawal/attrition rate (based on categories)                | 5.95%                   | 5.95%                   |
| Mortality rate (as % of IALM (2012-14) Ult. Mortality Table)   | 100.00%                 | 100.00%                 |
| Disability rate  | 0.00%                   | 0.00%                   |
| Expected weighted average remaining working lives of employees | 24.79 years             | 25.08 years             |



**IKF Finance Limited****Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**Notes:**

a) The discount rate indicated above reflects the estimated timing and currency of benefit payments. It is based on the yields / rates available on applicable bonds as on the current valuation date.

b) The salary growth rate indicated above is the Company's best estimate of an increase in salary of the employees in future years, determined considering the general trend in inflation, seniority, promotions, past experience and other relevant factors such as demand and supply in employment market, etc.

c) Attrition rate indicated above represents the Company's best estimate of employee turnover in future (other than on account of retirement, death or disablement) determined considering various factors such as nature of business, retention policy, industry factors, past experience, etc.

**Sensitivity analysis:**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Particulars                     | As at March 31, 2023 |          | As at March 31, 2022 |          |
|---------------------------------|----------------------|----------|----------------------|----------|
|                                 | Increase             | Decrease | Increase             | Decrease |
| Salary escalation Rate (+/- 1%) | 222.27               | 191.08   | 164.50               | 141.45   |
| IKF Finance                     | 7.00%                | -6.31%   | 7.20%                | -6.50%   |
| IKF Home Finance                | 11.06%               | -9.64%   | 11.10%               | -9.70%   |
| Discount Rate (+/- 1%)          | 191.41               | 222.18   | 141.61               | 164.64   |
| IKF Finance                     | -6.34%               | 7.18%    | -6.60%               | 7.50%    |
| IKF Home Finance                | -8.90%               | 10.36%   | -9.00%               | 10.40%   |
| Withdrawal Rate (+/- 1%)        | 205.94               | 205.40   | 152.67               | 151.93   |
| IKF Finance                     | 0.10%                | -0.17%   | 0.20%                | -0.20%   |
| IKF Home Finance                | 0.03%                | -0.23%   | 0.20%                | -0.50%   |

The Sensitivity is performed on the defined benefit obligation at the respective valuation date by modifying one parameter whilst retaining other parameters constant. There are no changes from the previous year to the methods and assumptions underlying the sensitivity analyses.

**Expected future contributions**

The Best Estimate Contribution for the Company during the next year would be INR Nil

**Expected cash flow for following years:**

| Maturity Profile of Defined Benefit Obligations |        |
|---|--------|
| Year 1  | 16.82  |
| Year 2  | 15.57  |
| Year 3  | 33.91  |
| Year 4  | 15.92  |
| Year 5  | 24.15  |
| Year 6  | 17.49  |
| Year 7  | 16.21  |
| Year 8  | 16.43  |
| Year 9  | 17.91  |
| Year 10   | 18.72  |
| Year 11+  | 225.84 |

The weighted average duration of the defined benefit obligation for IKF Finance is 7.77 (for IKF Home Finance is 10.83)

**c. Compensated absences :**

The Company provides for accumulated compensated absences as at the balance sheet date using projected unit credit method based on actuarial valuation.

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Present value of unfunded obligation                    | 56.12                   | 194.71                  |
| Expenses recognised in the Statement of Profit and Loss | (104.57)                | 47.07                   |



## IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

### 31 Earnings per share

| Particulars   | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|---|-------------------------|-------------------------|
| Profit for the year   | 6,151.96                | 5,113.01                |
| Weighted average number of equity shares used in calculating basic earnings per share                               | 536.99                  | 516.78                  |
| Effect of potential dilutive Equity Shares on account of unexercised employee stock options                         | 0.19                    | 0.23                    |
| Weighted average number of equity shares and potential equity shares used in calculating diluted earnings per share | 537.18                  | 517.01                  |
| Basic earnings per share  | 11.46                   | 9.89                    |
| Diluted earnings per share  | 11.45                   | 9.89                    |

### 32 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the Company. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Promoters of the Company. The Company operates only in one Business Segment i.e. lending, since the nature of the loans are exposed to similar risks and return profiles, hence they are collectively operating under a single segment. Accordingly the Company does not have any reportable Segments as per Indian Accounting Standard 108 "Operating Segments".



**IKF Finance Limited****Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**33 Transfer of financial assets****Transfer of financial assets that are not derecognised in their entirety****(i) Securitisations:**

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

| Particulars  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|--|-------------------------|-------------------------|
| Carrying amount of transferred assets measured at amortised cost | -                       | 1,195.10                |
| Carrying amount of associated liabilities                        | -                       | 871.72                  |

The carrying amount of above assets and liabilities is a reasonable approximation of their fair values.

**Transfer of financial assets which qualify for derecognition in their entirety****(i) Assignment transaction**

The Company has sold loans and advances measured at amortised cost under assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet.

The gain arising on said transactions are recorded upfront by discounting the future cash flows accruing in the form of differential interest on such assigned loan to their present values.

The table below summarises the carrying amount of the Excess Interest Spread (EIS) receivable on above transaction which are derecognised

| Particulars                       | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|-----------------------------------|-------------------------|-------------------------|
| Carrying amount of EIS receivable | 3,972.47                | 2,719.59                |



**IKF Finance Limited**
**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**34 Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

| Particulars   | As at March 31, 2023 |                   |                   | As at March 31, 2022 |                   |                   |
|---|----------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
|   | Within 12 months     | After 12 months   | Total             | Within 12 months     | After 12 months   | Total             |
| <b>ASSETS</b>   |                      |                   |                   |                      |                   |                   |
| <b>Financial assets</b>   |                      |                   |                   |                      |                   |                   |
| Cash and cash equivalents   | 27,817.26            | -                 | 27,817.26         | 9,664.31             | -                 | 9,664.31          |
| Bank Balance other than cash and cash equivalents   | 4,280.30             | 1,818.49          | 6,098.79          | 1,274.79             | 1,258.86          | 2,533.65          |
| Receivables   | -                    | -                 | -                 | -                    | -                 | -                 |
| (I) Trade receivables   | -                    | -                 | -                 | 28.35                | -                 | 28.35             |
| (II) Other receivables  | -                    | -                 | -                 | -                    | -                 | -                 |
| Loans   | 78,156.11            | 190,763.93        | 268,920.04        | 66,585.00            | 122,602.27        | 189,187.27        |
| Investments   | 20,047.82            | -                 | 20,047.82         | -                    | 1,727.82          | 1,727.82          |
| Other Financial assets  | 1,422.84             | 3,239.08          | 4,661.93          | 942.76               | 2,166.56          | 3,109.33          |
| <b>Sub total</b>  | <b>131,724.33</b>    | <b>195,821.50</b> | <b>327,545.84</b> | <b>78,495.22</b>     | <b>127,755.50</b> | <b>206,250.73</b> |
| <b>Non-financial assets</b>   |                      |                   |                   |                      |                   |                   |
| Current Tax assets (Net)  | 372.98               | 27.57             | 400.55            | 183.04               | 17.91             | 200.95            |
| Deferred Tax assets (Net)   | -                    | -                 | -                 | -                    | 70.34             | 70.34             |
| Investment Property   | -                    | 72.14             | 72.14             | -                    | 114.31            | 114.31            |
| Property, plant and equipment   | -                    | 363.00            | 363.00            | -                    | 343.00            | 343.00            |
| Right to Use Assets   | -                    | 313.23            | 313.23            | -                    | 19.67             | 19.67             |
| Other intangible assets   | -                    | 236.22            | 236.22            | -                    | 175.97            | 175.97            |
| Other non-financial assets  | 9.35                 | 3,475.36          | 3,484.71          | 10.55                | 1,069.67          | 1,080.22          |
| <b>Sub total</b>  | <b>382.33</b>        | <b>4,487.52</b>   | <b>4,869.85</b>   | <b>193.59</b>        | <b>1,810.86</b>   | <b>2,004.46</b>   |
| <b>Total assets</b>   | <b>132,106.66</b>    | <b>200,309.02</b> | <b>332,415.70</b> | <b>78,688.81</b>     | <b>129,566.37</b> | <b>208,255.18</b> |
| <b>LIABILITIES AND EQUITY</b>   |                      |                   |                   |                      |                   |                   |
| <b>LIABILITIES</b>  |                      |                   |                   |                      |                   |                   |
| <b>Financial liabilities</b>  |                      |                   |                   |                      |                   |                   |
| Derivative Financial Instruments  | 5.40                 | -                 | 5.40              | 58.68                | -                 | 58.68             |
| Payables  |                      |                   |                   |                      |                   |                   |
| (I) Trade payables and Other payables   |                      |                   |                   |                      |                   |                   |
| (i) total outstanding dues of creditors of micro enterprises and small enterprises          | -                    | -                 | -                 | -                    | -                 | -                 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 113.02               | -                 | 113.02            | 8.84                 | -                 | 8.84              |
| Debt Securities   | 23,187.85            | 3,452.82          | 26,640.67         | 4,532.76             | 19,275.16         | 23,807.92         |
| Borrowings (Other than Debt Securities)   | 91,456.86            | 121,624.93        | 213,081.79        | 72,002.86            | 60,136.21         | 132,139.08        |
| Subordinated Liabilities  | 8.98                 | 16,336.07         | 16,345.06         | 1,537.37             | 4,466.08          | 6,003.45          |
| Other Financial liabilities   | 5,188.59             | 280.32            | 5,468.91          | 2,850.19             | 229.96            | 3,080.15          |
| <b>Sub total</b>  | <b>119,960.69</b>    | <b>141,694.15</b> | <b>261,654.84</b> | <b>80,990.70</b>     | <b>84,107.42</b>  | <b>165,098.11</b> |
| <b>Non-Financial liabilities</b>  |                      |                   |                   |                      |                   |                   |
| Current tax liabilities (Net)   | -                    | -                 | -                 | -                    | -                 | -                 |
| Provisions  | 26.72                | 235.17            | 261.89            | 31.80                | 313.55            | 345.34            |
| Deferred tax liabilities (Net)  | 188.82               | 275.55            | 464.37            | -                    | 165.35            | 165.35            |
| Other non-financial liabilities   | 674.25               | -                 | 674.25            | 157.27               | -                 | 157.27            |
| <b>Sub total</b>  | <b>889.78</b>        | <b>510.72</b>     | <b>1,400.50</b>   | <b>189.07</b>        | <b>478.89</b>     | <b>667.96</b>     |
| <b>Total liabilities</b>  | <b>120,850.48</b>    | <b>142,204.87</b> | <b>263,055.35</b> | <b>81,179.77</b>     | <b>84,586.31</b>  | <b>165,766.07</b> |





**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**35 Changes in liabilities arising from financing activities**

| Particulars                          | As at<br>March 31, 2022 | Cash Flows<br>(net) | Others<br>(net)*  | As at<br>March 31, 2023 |
|--------------------------------------|-------------------------|---------------------|-------------------|-------------------------|
| Subordinated liabilities             | 6,003.45                | 10,500.00           | (158.39)          | 16,345.06               |
| Debt securities                      | 23,807.92               | 2,750.08            | 82.68             | 26,640.68               |
| Borrowing other than debt securities | 132,139.07              | 82,050.17           | (1,107.57)        | 213,081.67              |
|                                      | <b>161,950.44</b>       | <b>95,300.24</b>    | <b>(1,183.28)</b> | <b>256,067.40</b>       |

| Particulars                          | As at<br>March 31, 2021 | Cash Flows<br>(net) | Others<br>(net)*   | As at<br>March 31, 2022 |
|--------------------------------------|-------------------------|---------------------|--------------------|-------------------------|
| Subordinated liabilities             | 5,986.80                |                     | 16.65              | 6,003.45                |
| Debt securities                      | 43,210.76               | (17,950.00)         | (1,452.85)         | 23,807.92               |
| Borrowing other than debt securities | 92,148.70               | 50,018.55           | (10,028.18)        | 132,139.07              |
|                                      | <b>141,346.25</b>       | <b>32,068.55</b>    | <b>(11,464.38)</b> | <b>161,950.44</b>       |

\* Others column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees and cash flows from securitisation etc.



## **IKF Finance Limited**

### **Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

#### **37 Contingent liabilities and commitments**

In the ordinary course of business, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel, wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The Company believes that the outcome of these proceedings will not have a materially adverse effect on the Company's financial position and results of operations.

##### **37.1 Contingent Liability**

There are no Contingent Liabilities as on March 31, 2023 (March 31, 2022: INR 0.)

##### **37.2 Commitment**

There are no commitment as on March 31, 2023 (March 31, 2022: INR 0.)



**IKF Finance Limited****Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

**36 Employee Stock Option Plan (ESOP)**

The Company had granted 5,62,860 Equity shares (face value of INR 10/- each) under Employee Stock Option Plan 2019 on June 11, 2019 to the employees of IKF Finance Limited. The shares will vest gradually and vesting of these shares is dependent on continued employment with the company.

**A. Expenses arising from share-based payment transactions**

Total expenses arising from equity - settled share-based payment transaction recognised in profit or loss as part of employee benefit expense for the year ended March 31, 2023 is INR (4.00) lakhs (March 31, 2022 - INR (6.03) lakhs).

**B. Movement during the year**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| Particulars               | As at<br>March 31, 2023 | As at March 31, 2023 | As at<br>March 31, 2022 | As at March 31, 2022 |
|---------------------------|-------------------------|----------------------|-------------------------|----------------------|
|                           | Number                  | WAEP                 | Number                  | WAEP                 |
| Outstanding at 1 April    | 206,000.00              | 120.00               | 356,930.00              | 120.00               |
| Granted during the year   | -                       | -                    | -                       | -                    |
| Forfeited during the year | 59,200.00               | 120.00               | 150,930.00              | 120.00               |
| Exercised during the year | -                       | -                    | -                       | -                    |
| Expired during the year   | -                       | -                    | -                       | -                    |
| Outstanding at 31 March   | 146,800.00              | 120.00               | 206,000.00              | 120.00               |
| Exercisable at 31 March   | 102,760.00              | 120.00               | 92,700.00               | 120.00               |

No Share options granted during the year. No options were vested or exercised during the year.

The weighted average remaining contractual life for the share options outstanding as at March 31, 2023 is 0.15 years (March 31, 2022: 0.58 years).

The weighted average fair value of options granted during the year ending March 31, 2020 was 14.79

**C. Fair value of options granted**

The weighted average fair value of options granted during the year ending March 31, 2020 was 14.79. The fair value of options was determined using the Black Scholes Model using the following inputs as follows :

| Particulars  | As at March 31, 2023     | As at March 31, 2022     |
|--|--------------------------|--------------------------|
| Weighted average fair values at the measurement date | 14.79                    | 14.79                    |
| Expected volatility (%)                              | 0.36%                    | 0.36%                    |
| Risk-free interest rate (%)                          | 4.50%                    | 4.50%                    |
| Expected life of share options/SARs (years)          | 1.30 years to 4.30 years | 1.30 years to 4.30 years |
| Weighted average share price (INR)                   | 120.00                   | 120.00                   |

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**38 Leases****Company as a Lessee**

The Company's lease asset classes primarily consist of leases for office spaces. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases). For these short-term leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

**Following are the changes in the carrying value of right of use assets**

| Particulars     | As at March 31, 2023 | As at March 31, 2022 |
|-----------------|----------------------|----------------------|
| Opening         |                      |                      |
| Additions       | 19.66                | 45.68                |
| Deletion        | 457.34               | 4.89                 |
| Depreciation    | (8.92)               | (0.74)               |
| Closing Balance | 154.86               | (30.19)              |
|                 | 313.21               | 19.66                |

**The following is the movement in lease liabilities :**

| Particulars                            | As at March 31, 2023 | As at March 31, 2022 |
|--|----------------------|----------------------|
| Balance at the beginning               |                      |                      |
| Additions                              | 20.09                | 48.89                |
| Finance cost accrued during the period | 428.95               | 4.80                 |
| Payment of lease liabilities           | 36.00                | 3.79                 |
| Balance at the end                     | (162.74)             | (37.38)              |
|  | 322.30               | 20.09                |

**The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:**

| Particulars                   | As at March 31, 2023 | As at March 31, 2022 |
|-------------------------------|----------------------|----------------------|
| Less than 3 months            |                      |                      |
| Over 3 months & upto 6 months | 44.40                | 3.74                 |
| Over 6 months & upto 1 year   | 44.56                | 3.93                 |
| Over 1 year & upto 3 years    | 88.98                | 5.69                 |
| Over 3 years                  | 177.42               | 14.72                |
|                               | 6.89                 | 6.41                 |

**The following are the amounts recognised in statement of profit or loss:**

| Particulars                                 | As at March 31, 2023 | As at March 31, 2022 |
|---|----------------------|----------------------|
| Depreciation expense of right-of-use assets |                      |                      |
| Interest expense on lease liabilities       | 154.86               | 30.19                |
| Expense relating to short-term leases       | 36.00                | 3.79                 |
| Total amount recognised in profit or loss   | 420.81               | 241.29               |
|   | 611.66               | 275.27               |

**Future Commitments:**

| Particulars  | As at March 31, 2023 |
|--|----------------------|
| Future undiscounted lease payments for which the leases have not yet commenced |                      |

**Extension / Termination Options:**

Some of the leases contain extension and termination options. Such options are taken into account in the determination of the lease term only if extension or non-termination can be assumed with reasonable certainty. On this basis, there were no such amounts included in the measurement of lease liabilities as at March 31, 2023.



## **IKF Finance Limited**

**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

### **39 Capital Management**

For the purpose of the Group's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximise the shareholder value. The Group monitors capital in accordance with the capital adequacy ratio prescribed by the Reserve Bank of India ("RBI")/ National Housing Bank ("NHB") as applicable.





**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

**40 Fair Value Measurement:**
**A. Valuation Principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques:

**Level 1** - Valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that Company can access at the measurement date.

**Level 2** - Valuation technique using observable inputs: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.

**Level 3** - Valuation technique with significant unobservable inputs: Those that include one or more unobservable input that is significant to the measurement as whole.

| Particulars                            | Fair Value |                      | Fair Value Hierarchy | Valuation Technique | Key Inputs for Level 2 & Level 3      | Significant unobservable input(s) for Level 3 |
|--|------------|----------------------|----------------------|---------------------|---------------------------------------|---|
|  | Category   | As at March 31, 2023 | As at March 31, 2022 |                     |                                       |   |
| <b>Financial Assets</b>                |            |                      |                      |                     |                                       |   |
| Investment in Mutual Funds             | FVTPL      | 1,200.00             | 0.00                 | Level 1             | Mark-to-Market of the unit            | NAV of the unit                               |
| Investment in Market Linked Debentures | FVTPL      | 15,960.75            | 0.00                 | Level 2             | Mark-to-Market of the debt instrument | Valuation received from the rating agency     |

**B. Fair value of financial instrument not measured at fair value:**

The table below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements.

*This table does not include the fair values of non-financial assets and non-financial liabilities.*

| Particulars                                       | Level | Carrying value       |                      | Fair value           |                      |
|---|-------|----------------------|----------------------|----------------------|----------------------|
|   |       | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2023 | As at March 31, 2022 |
| <b>Financial Assets</b>                           |       |                      |                      |                      |                      |
| Cash and cash equivalents                         | 1     | 27,817.26            | 9,664.31             | 27,817.26            | 9,664.31             |
| Bank Balance other than cash and cash equivalents | 1     | 6,098.78             | 2,533.65             | 6,098.78             | 2,533.65             |
| Trade receivables                                 | 2     | -                    | -0.01                | -                    | -0.01                |
| Loans   | 2     | 268,920.04           | 189,210.12           | 270,187.33           | 193,909.76           |
| Rent and utility deposits                         | 2     | 373.95               | 299.17               | 373.95               | 299.17               |
| EIS receivable                                    | 2     | 3,972.47             | 2,719.59             | 3,972.47             | 2,719.59             |
| Other financial assets                            | 2     | 412.74               | 203.00               | 412.74               | 203.00               |
| Investment in debentures                          | 2     | 4,087.07             | -                    | 4,087.07             | -                    |
|   |       | <b>311,682.32</b>    | <b>204,629.83</b>    | <b>312,949.61</b>    | <b>209,329.47</b>    |
| <b>Financial Liabilities</b>                      |       |                      |                      |                      |                      |
| Derivative financial instruments                  | 2     | 5.40                 | 58.68                | 5.40                 | 58.68                |
| Trade Payables                                    | 2     | 113.02               | 7.09                 | 113.02               | 7.09                 |
| Debt securities                                   | 2     | 26,640.67            | 23,807.91            | 27,054.91            | 24,127.77            |
| Borrowings (other than debt securities)           | 2     | 213,081.79           | 132,139.07           | 212,817.33           | 132,136.20           |
| Subordinated Liabilities                          | 2     | 16,345.06            | 6,003.45             | 16,458.38            | 6,099.99             |
| Other financial liabilities                       | 2     | 4,026.93             | 3,103.00             | 3,616.17             | 3,103.00             |
| <b>Total Financial liabilities</b>                |       | <b>260,212.87</b>    | <b>165,119.20</b>    | <b>260,065.22</b>    | <b>165,532.71</b>    |

**Valuation Methodologies of Financial Instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables and, as such, may differ from the techniques and assumptions explained in notes.

**Short Term Financial Assets and Liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables, rent and utility deposits and other financial liabilities.

**Loans and advances to customers**

The fair values of loans are estimated by discounted cash flow models based on contractual cash flows using actual or estimated yields.

**Borrowings other than debt securities, Debt securities and Subordinated liabilities**

The fair value of issued debt is estimated by a discounted cash flow model incorporating the Company's own credit risk.

**EIS receivable**

EIS receivable is calculated by discounting the contractual future cash flows. The carrying value closely approximates its fair value.

**C. Categories of Financial Instruments :**

| Particulars                                   | As at March 31, 2023 |                                      |                |                   |
|---|----------------------|--------------------------------------|----------------|-------------------|
|   | Amortised cost       | At Fair Value Through profit or loss | At Deemed Cost | Total             |
| Cash and cash equivalents                     | 27,817.26            | -                                    | -              | 27,817.26         |
| Bank Balance other than included in (a) above | 6,098.78             | -                                    | -              | 6,098.78          |
| Loans   | 268,920.04           | -                                    | -              | 268,920.04        |
| Investments                                   | 4,087.07             | 17,160.75                            | -              | 21,247.83         |
| Other financial assets                        | 4,759.15             | -                                    | -              | 4,759.15          |
| <b>Total</b>                                  | <b>311,682.31</b>    | <b>17,160.75</b>                     | <b>-</b>       | <b>328,843.06</b> |
| Derivative financial instruments              | 5.40                 | -                                    | -              | 5.40              |
| Trade Payables                                | 113.02               | -                                    | -              | 113.02            |
| Debt securities                               | 26,640.67            | -                                    | -              | 26,640.67         |
| Borrowings (other than debt securities)       | 213,081.79           | -                                    | -              | 213,081.79        |
| Subordinated Liabilities                      | 16,345.06            | -                                    | -              | 16,345.06         |
| Other financial liabilities                   | 4,026.93             | -                                    | -              | 4,026.93          |
| <b>Total</b>                                  | <b>260,212.88</b>    | <b>-</b>                             | <b>-</b>       | <b>260,212.88</b> |
| Particulars                                   | As at March 31, 2022 |                                      |                |                   |
|   | Amortised cost       | At Fair Value Through profit or loss | At Deemed Cost | Total             |
| Cash and cash equivalents                     | 9,664.31             | -                                    | -              | 9,664.31          |
| Bank Balance other than included in (a) above | 2,533.65             | -                                    | -              | 2,533.65          |
| Receivables                                   | -                    | -                                    | -              | -                 |
| (i) Trade receivables                         | 0.00                 | -                                    | -              | -                 |
| (ii) Other receivables                        | -                    | -                                    | -              | -                 |
| Loans   | 189,210.12           | -                                    | -              | 189,210.12        |
| Investments                                   | 0.00                 | -                                    | -              | -                 |
| Other financial assets                        | 3,221.75             | -                                    | -              | 3,221.75          |
| <b>Total</b>                                  | <b>204,629.83</b>    | <b>-</b>                             | <b>-</b>       | <b>204,629.83</b> |
| Derivative financial instruments              | 58.68                | -                                    | -              | 58.68             |
| Trade Payables                                | 7.09                 | -                                    | -              | 7.09              |
| Debt securities                               | 23,807.91            | -                                    | -              | 23,807.91         |
| Borrowings (other than debt securities)       | 132,139.07           | -                                    | -              | 132,139.07        |
| Subordinated Liabilities                      | 6,003.45             | -                                    | -              | 6,003.45          |
| Other financial liabilities                   | 3,103.00             | -                                    | -              | 3,103.00          |
| <b>Total</b>                                  | <b>165,119.19</b>    | <b>-</b>                             | <b>-</b>       | <b>165,119.19</b> |



## IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

### 41 Risk management

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Board of Directors of the Company are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Company has a risk management policy which covers all the risk associated with its assets and liabilities.

#### 41.1 Introduction and Risk Profile

##### Risk management and mitigation

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment, as necessary.

The Company's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

It is the Company's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Company is exposed to that they decide to take on. The Company's continuous training and development emphasises that employees are made aware of the Company's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Company's risk appetite limits.

The Company is generally exposed to credit risk, liquidity risk, market risk, prepayment risk and operational risk.

#### 41.2 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit department of the Company. It is their responsibility to review and manage credit risk. Credit risk consists of line credit managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

##### Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of significant accounting policies.

##### Definition of default and cure

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss (ECL) calculations in all cases when the borrower becomes more than 3 months past due on its contractual payments.

The staging criteria used by the Company is as below:

| Loans months past due       | Stage   |
|-----------------------------|---------|
| Upto 1 month                | Stage 1 |
| Between 1 month to 3 months | Stage 2 |
| More than 3 months          | Stage 3 |

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes past due for more than 3 months on its contractual payments.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the due amount have been paid. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

##### Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.



## IKF Finance Limited

### Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

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#### Probability of default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD.

#### Loss given Default (LGD)

LGD is the estimated loss that the Company might bear if the borrower defaults. The Company determines its recovery (net present value) by analysing the recovery trends, borrower rating, collateral value and expected proceeds from sale of asset.

LGD Rates have been computed internally based on the discounted recoveries in defaulted accounts that are closed/ written off/ repossessed and upgraded during the year.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

#### Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs in order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL. The Company assesses whether there has been an event which could cause a significantly increase in the credit risk of the underlying asset or the customers ability to pay and accordingly change the 12 month ECL to a lifetime ECL.

If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

#### Concentration of Credit Risk

Company's loan portfolio is predominantly to finance commercial vehicle loans. The Company manages concentration of risk primarily by geographical region. The following tables show the region-wise concentrations of net terms loans.

| Geography | March 31, 2023    | March 31, 2022    |
|-----------|-------------------|-------------------|
| West      | 73,780.55         | 45,578.55         |
| Central   | 8,709.95          | 5,531.19          |
| South     | 189,758.74        | 141,712.59        |
|           | <b>272,249.24</b> | <b>192,822.33</b> |

#### Quantitative Information of Collateral

Net value of total term loans to value of collateral is as follows:

| As at March 31, 2023   | Loan to value    |                   |                  |                   |
|------------------------|------------------|-------------------|------------------|-------------------|
|                        | Upto 50%         | 51%-70%           | More than 70%    | Total             |
| Cars & Muvs            | 1,130.94         | 23,463.73         | 12,695.19        | 37,289.86         |
| Commercial Vehicles    | 1,578.17         | 31,736.73         | 29,246.64        | 62,561.54         |
| Construction Equipment | 4,047.76         | 17,681.56         | 23,318.34        | 45,047.66         |
| Three Wheeler          | 34.88            | 10,852.93         | 1,572.51         | 12,460.32         |
| Tractor                | 152.27           | 2,362.86          | 408.85           | 2,923.98          |
| Two Wheeler            | 894.05           | 1,080.67          | 462.34           | 2,437.06          |
| SME                    | 39,829.78        | 4,335.27          | 6,759.09         | 50,924.14         |
| Home Loans             | 21,327.21        | 11,401.02         | 8,194.21         | 40,922.43         |
| Loans Against Property | 13,607.70        | 4,074.53          | -                | 17,682.24         |
| <b>Total</b>           | <b>82,602.75</b> | <b>106,989.31</b> | <b>82,657.18</b> | <b>272,249.24</b> |



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| As at March 31, 2022   | Loan to value    |                  |                  |                   |
|------------------------|------------------|------------------|------------------|-------------------|
|                        | Upto 50%         | 51%-70%          | More than 70%    | Total             |
| Cars & Muvs            | 1,224.12         | 19,288.11        | 10,382.32        | 30,894.55         |
| Commercial Vehicles    | 2,350.49         | 28,154.20        | 14,292.21        | 44,796.91         |
| Construction Equipment | 3,477.80         | 14,367.04        | 12,146.46        | 29,991.30         |
| Three Wheeler          | 48.26            | 9,201.86         | 1,808.16         | 11,058.28         |
| Tractor                | 203.45           | 2,018.47         | 381.49           | 2,603.41          |
| Two Wheeler            | 1,139.12         | 1,041.94         | 772.97           | 2,954.04          |
| SME                    | 6,491.94         | 4,304.85         | 26,213.51        | 37,010.29         |
| Home Loans             | 13,260.53        | 7,638.60         | 5,661.22         | 26,560.35         |
| Loans Against Property | 5,066.76         | 1,886.45         | -                | 6,953.21          |
| <b>Total</b>           | <b>33,262.49</b> | <b>87,901.51</b> | <b>71,658.33</b> | <b>192,822.33</b> |

**41.3 Liquidity Risk**

In assessing the Company's liquidity position, consideration shall be given to: (1) present and anticipated asset quality (2) present and future earnings capacity (3) historical funding requirements (4) current liquidity position (5) anticipated future funding needs, and (6) sources of funds. The Company maintains a portfolio of marketable assets that are assumed to be easily liquidated and undrawn cash credit limits which can be used in the event of an unforeseen interruption in cash flow. The Company also enters into securitization deals (direct assignment as well as pass through certificates) of their loan portfolio, the funding from which can be accessed to meet liquidity needs. Net liquid assets consist of cash and short-term bank deposits. Borrowings from banks and financial institutions and issue of Non convertible debentures are considered as important sources of funds to finance lending to customers.

**Analysis of financial assets and liabilities by remaining contractual maturities:**

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at March 31, 2023.

| Particulars  | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years     | Total             |
|--|--------------------|-------------------------------|-----------------------------|----------------------------|------------------|-------------------|
| <b>Financial assets</b>                                  |                    |                               |                             |                            |                  |                   |
| Cash and cash equivalents                                | 11,017.27          | -                             | 16,800.00                   | -                          | -                | 27,817.27         |
| Bank Balance other than included in (a) above            | 3,587.71           | 514.95                        | 294.64                      | 1,389.27                   | 525.62           | 6,312.19          |
| Trade receivables  | -                  | -                             | -                           | -                          | -                | -                 |
| Loans  | 24,748.10          | 27,675.19                     | 53,390.47                   | 144,237.01                 | 75,699.50        | 325,750.28        |
| Investments  | 21,247.82          | -                             | -                           | -                          | 10,762.73        | 32,010.55         |
| Other financial assets                                   | 905.46             | 405.27                        | 623.18                      | 902.09                     | 2,402.13         | 5,238.12          |
| <b>Total undiscounted financial assets</b>               | <b>61,506.36</b>   | <b>28,595.41</b>              | <b>71,108.28</b>            | <b>146,528.36</b>          | <b>89,389.97</b> | <b>397,128.39</b> |
| <b>Financial liabilities</b>                             |                    |                               |                             |                            |                  |                   |
| Derivative Financial Instruments                         | 5.40               | -                             | -                           | -                          | -                | 5.40              |
| Trade payables   | 113.05             | -                             | -                           | -                          | -                | 113.05            |
| Other payables   | -                  | -                             | -                           | -                          | -                | -                 |
| Subordinated Liabilities                                 | 566.01             | 571.32                        | 1,137.10                    | 4,539.82                   | 20,644.59        | 27,458.84         |
| Debt securities  | 11,087.95          | 6,008.61                      | 7,116.57                    | 3,732.82                   | -                | 27,945.95         |
| Borrowings (other than debt securities)                  | 22,596.67          | 19,715.81                     | 61,807.80                   | 103,433.13                 | 27,736.79        | 235,290.19        |
| Deposits   | -                  | -                             | -                           | -                          | -                | -                 |
| Other financial liabilities                              | 2,697.91           | 60.50                         | 534.65                      | 279.57                     | 102.60           | 3,675.23          |
| <b>Total undiscounted financial liabilities</b>          | <b>37,066.98</b>   | <b>26,356.24</b>              | <b>70,596.13</b>            | <b>111,985.33</b>          | <b>48,483.99</b> | <b>294,488.65</b> |
| <b>Net undiscounted financial assets / (liabilities)</b> | <b>24,439.38</b>   | <b>2,239.17</b>               | <b>512.15</b>               | <b>34,543.03</b>           | <b>40,905.99</b> | <b>102,639.74</b> |

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at March 31, 2022.

| Particulars  | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years     | Total             |
|--|--------------------|-------------------------------|-----------------------------|----------------------------|------------------|-------------------|
| <b>Financial assets</b>                                  |                    |                               |                             |                            |                  |                   |
| Cash and cash equivalents                                | 9,664.31           | -                             | -                           | -                          | -                | 9,664.31          |
| Bank Balance other than included in (a) above            | 267.49             | 906.32                        | 122.85                      | 999.25                     | 325.00           | 2,620.91          |
| Trade receivables  | 28.35              | -                             | -                           | -                          | -                | 28.35             |
| Loans  | 33,001.98          | 19,577.19                     | 34,008.99                   | 99,087.66                  | 45,377.40        | 231,053.21        |
| Investments  | -                  | -                             | -                           | -                          | 6,252.92         | 6,252.92          |
| Other financial assets                                   | 548.52             | 304.80                        | 465.72                      | 507.25                     | 1,690.74         | 3,517.03          |
| <b>Total undiscounted financial assets</b>               | <b>43,510.65</b>   | <b>20,788.31</b>              | <b>34,597.56</b>            | <b>100,594.16</b>          | <b>53,646.06</b> | <b>253,136.73</b> |
| <b>Financial liabilities</b>                             |                    |                               |                             |                            |                  |                   |
| Derivative Financial Instruments                         | 58.68              | -                             | -                           | -                          | -                | 58.68             |
| Trade payables   | 8.84               | -                             | -                           | -                          | -                | 8.84              |
| Other payables   | -                  | -                             | -                           | -                          | -                | -                 |
| Subordinated Liabilities                                 | 198.70             | 1,696.45                      | 304.02                      | 1,221.46                   | 5,084.17         | 8,504.80          |
| Debt securities  | 1,949.37           | 1,210.81                      | 2,640.40                    | 20,085.06                  | -                | 25,885.64         |
| Borrowings (other than debt securities)                  | 14,925.73          | 11,994.62                     | 52,883.78                   | 54,335.51                  | 10,540.54        | 144,680.17        |
| Deposits   | -                  | -                             | -                           | -                          | -                | -                 |
| Other financial liabilities                              | 2,787.82           | 18.60                         | 77.09                       | 275.92                     | 8.48             | 3,167.89          |
| <b>Total undiscounted financial liabilities</b>          | <b>19,929.14</b>   | <b>14,920.48</b>              | <b>55,905.29</b>            | <b>75,917.95</b>           | <b>15,633.18</b> | <b>182,306.03</b> |
| <b>Net undiscounted financial assets / (liabilities)</b> | <b>23,581.51</b>   | <b>5,867.83</b>               | <b>(21,307.73)</b>          | <b>24,676.21</b>           | <b>38,012.87</b> | <b>70,830.70</b>  |



## IKF Finance Limited

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(Currency : INR in lakhs)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

| Particulars  | On demand | Less than 3 months | Over 3 months & upto 6 months | Over 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years |
|--|-----------|--------------------|-------------------------------|-----------------------------|----------------------------|--------------|
| <b>As at March 31, 2023</b>  |           |                    |                               |                             |                            |              |
| Guarantees and counter guarantees  | -         | -                  | -                             | -                           | -                          | -            |
| Estimated amount of contracts remaining to be executed on capital account, net of advances | -         | -                  | -                             | -                           | -                          | -            |
| <b>Total commitments</b>   | -         | -                  | -                             | -                           | -                          | -            |
| <b>As at March 31, 2022</b>  |           |                    |                               |                             |                            |              |
| Guarantees and counter guarantees  | -         | -                  | -                             | -                           | -                          | -            |
| Estimated amount of contracts remaining to be executed on capital account, net of advances | -         | -                  | -                             | -                           | -                          | -            |
| <b>Total commitments</b>   | -         | -                  | -                             | -                           | -                          | -            |

#### 41.4 Market Risk

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity, and other market changes. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss and reduce our exposure to the volatility inherent in financial instruments. There are broadly two types of market risks: (1) Interest rate risk, and (2) Price risk. The Company has not made investments in quoted equity instruments or other quoted investments and hence is not exposed to Equity price risk. Interest rate risk is discussed below:

##### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk, primarily since it lends to customers at fixed rates and for maturity periods shorter than the funding sources.

The Company has taken borrowings at floating rates gives rise to interest rate risk. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Company seek to optimize borrowing profile between short-term and long-term loans. The Company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities. The Interest Rate Risk is mitigated by availing funds at very competitive rates through diversified borrowings and for different tenors.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before taxes affected through the impact on floating rate borrowings are as follows:

| Impact on Profit before taxes       | As at March 31, 2023 | As at March 31, 2022 |
|-------------------------------------|----------------------|----------------------|
| <b>On Floating Rate Borrowings:</b> |                      |                      |
| 1% increase in interest rates       | (1,642.26)           | (550.43)             |
| 1% decrease in interest rates       | 1,642.26             | 550.22               |

#### 41.5 Prepayment risk

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans like ours when interest rates fall.

#### 41.6 Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

#### 41.7 Currency Risk

The Company is exposed to currency risk on account of its borrowings in foreign currency. The fluctuation currency of the Company is Indian Rupee. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

The Company does not use derivative financial instruments for trading or speculative purposes.

Following are the forward contracts to hedge the foreign exchange rate as March 31, 2023 and March 31, 2022

| Particulars       | purpose   | Currency | Cross Currency | As at March 31, 2023 | As at March 31, 2022 |
|-------------------|-----------|----------|----------------|----------------------|----------------------|
| Forward Contracts | Term Loan | USD      | INR            | -53                  | 3                    |





## IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

### 42 Related Party Disclosure

#### a. Name of related party and nature of relationship:

|  |   |
|--|---|
| Enterprises having a significant influence   | India Business Excellence Fund -IIA<br>Vistra ITCL (india) Limited (formerly known as IL and FS trust Company Limited)<br>(Trustee of Business Excellence Trust -II - India Business Excellence Fund - II)  |
| Subsidiary   | IKF Home Finance Limited<br>(formerly known as IKF Housing Finance Private Limited)   |
| Enterprises in which directors are interested  | SVR Finance & Leasing Private Limited   |
| Enterprises significantly influenced by Key Management Personnel and their relatives | IKF Infratech Private Limited   |
| Relative of Key Management Personnel   | Mrs. D. Vasantha Lakshmi - Managing Director (IKF Home Finance Limited)<br>Mr. V. Raghu Ram<br>Mr. Sinha Satyanand Chunduri<br>Mrs. Durga Rani Chunduri   |
| Key Management Personnel (KMP)   | Mr V.G.K.Prasad -- Chairman<br>Mrs. V. Indira Devi -- Whole time Director<br>Mrs. K Vasumathi Devi -- Managing Director<br>Mr.Sreepal Gulabchand Jain-Chief Financial Officer(Upto 10th February 2023)<br>Mr. Ch.Sreenivasa Rao - Company Secretary<br>Mr. Vishal Kumar Joshi- Company Secretary (IKF Home Finance Limited)<br>Mr. Aravind J - Chief Financial Officer (10th February 2023 to Present) (IKF Home Finance Limited) |



**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023  
(Currency : INR in lakhs)

**42 Related Party Disclosure (continued)**

**b. Transaction with related parties:**

| Transaction with Related parties: |   | For the FY 2022         |  |                             |                         | For the FY 2023         |  |                             |                         |                         |
|-----------------------------------|---|-------------------------|--|-----------------------------|-------------------------|-------------------------|--|-----------------------------|-------------------------|-------------------------|
| Name of related party             | Nature of transaction                                       | As at<br>March 31, 2021 | Transaction value<br>for the year<br>ended March 31,<br>2022 | Received During<br>the year | Paid During The<br>year | As at<br>March 31, 2022 | Transaction value<br>for the year<br>ended March 31,<br>2023 | Received During<br>the year | Paid During the<br>Year | As at<br>March 31, 2023 |
| Key management personnel          |   |                         |  |                             |                         |                         |  |                             |                         |                         |
| Mr. V G K Prasad                  | Rent paid   | -                       | 21.60  | -                           | -                       | -                       | 21.60  | -                           | -                       | -                       |
|                                   | Director's remuneration                                     | -                       | 75.83  | -                           | -                       | -                       | 84.00  | -                           | -                       | -                       |
|                                   | Director Commission Payable                                 | 41.55                   | 51.02  | -                           | 41.55                   | 51.02                   | 63.27  | -                           | 51.02                   | 63.27                   |
|                                   | Rent deposit given  | 50.00                   | -  | -                           | -                       | 50.00                   | -  | -                           | -                       | 50.00                   |
|                                   | Advance Received  | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Interest paid on advance                                    | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Share Capital (INR 10/- Paid up)                            | 1587.56*                | -  | -                           | -                       | 1974.32*                | -  | -                           | -                       | -                       |
|                                   | Partly paid up shares (Rs 10 Paid Up) **                    | 283.97                  | -  | 66.61                       | -                       | -                       | -  | -                           | -                       | 1985.36*                |
|                                   | Premium on partly paid up shares **                         | 1,777.38                | -  | 416.92                      | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Share Capital (INR 10/- Paid up) in IKF Home Finance***     | 0.00                    | -  | -                           | -                       | 0.00                    | -  | -                           | -                       | 0.00                    |
| Mrs. V Indira Devi                | Partly paid up shares (Rs 5.00 Paid Up) in IKF Home Finance | 236.89                  | -  | -                           | -                       | 236.89                  | -  | -                           | -                       | -                       |
|                                   | Partly paid up shares (Rs 6.77 Paid Up) in IKF Home Finance | -                       | -  | -                           | -                       | -                       | -  | 83.86                       | -                       | 320.75                  |
|                                   | Unsecured Loan in IKF Home Finance                          | 119.19                  | -  | -                           | 119.19                  | -                       | -  | -                           | 119.19                  | -                       |
|                                   | Rent paid   | -                       | 48.00  | -                           | -                       | -                       | 48.00  | -                           | -                       | -                       |
|                                   | Director's remuneration                                     | -                       | 32.50  | -                           | -                       | -                       | 36.00  | -                           | -                       | -                       |
|                                   | Director Commission Payable                                 | 17.68                   | 21.71  | -                           | 17.68                   | 21.71                   | 26.92  | -                           | 21.71                   | 76.92                   |
|                                   | Rent deposit given  | 38.50                   | -  | -                           | -                       | 38.50                   | -  | -                           | -                       | 38.50                   |
|                                   | Share Capital (INR 10/- Paid up)                            | 132.69                  | -  | -                           | -                       | 164.81                  | -  | -                           | -                       | 164.81                  |
|                                   | Partly paid up shares (Rs 10 Paid Up) **                    | 26.02                   | -  | 6.10                        | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Premium Received on Allotment of Partly Paid up Shares **   | 162.86                  | -  | 38.20                       | -                       | -                       | -  | -                           | -                       | -                       |
| Mrs. K.Vasumatil Devi             | Share Capital (INR 10/- Paid up) in IKF Home Finance***     | 0.00                    | -  | -                           | -                       | 0.00                    | -  | -                           | -                       | 0.00                    |
|                                   | Partly paid up shares (Rs 5.00 Paid Up) in IKF Home Finance | 21.71                   | -  | -                           | -                       | 21.71                   | -  | -                           | -                       | -                       |
|                                   | Partly paid up shares (Rs 6.77 Paid Up) in IKF Home Finance | -                       | -  | -                           | -                       | -                       | -  | 7.68                        | -                       | 29.39                   |
|                                   | Unsecured Loan in IKF Home Finance                          | 10.92                   | -  | -                           | 10.92                   | -                       | -  | -                           | -                       | 10.92                   |
|                                   | Director's remuneration                                     | -                       | 54.17  | -                           | -                       | -                       | 60.00  | -                           | -                       | -                       |
|                                   | Director Commission Payable                                 | 29.17                   | 35.82  | -                           | -                       | 64.99                   | 44.42  | -                           | -                       | 109.42                  |
|                                   | Share Capital (INR 10/- Paid up)                            | 213.13                  | -  | -                           | -                       | 264.73                  | -  | -                           | -                       | 264.73                  |
|                                   | Partly paid up shares (Rs 10 Paid Up) **                    | 41.79                   | -  | 9.80                        | -                       | -                       | -  | 9.80                        | -                       | -                       |
|                                   | Premium Received on Allotment of Partly Paid up Shares **   | 261.59                  | -  | 61.36                       | -                       | -                       | -  | 61.36                       | -                       | -                       |
|                                   | Share Capital (INR 10/- Paid up) in IKF Home Finance***     | 0.00                    | -  | -                           | -                       | 0.00                    | -  | -                           | -                       | 0.00                    |
| Mr.Sreepal Gulabchand Jain        | Partly paid up shares (Rs 5.00 Paid Up) in IKF Home Finance | 34.87                   | -  | -                           | -                       | 34.87                   | -  | -                           | -                       | -                       |
|                                   | Partly paid up shares (Rs 6.77 Paid Up) in IKF Home Finance | -                       | -  | -                           | -                       | -                       | -  | 12.34                       | -                       | 47.21                   |
|                                   | Unsecured Loan in IKF Home Finance                          | 17.55                   | -  | -                           | 17.55                   | -                       | -  | -                           | -                       | -                       |
|                                   | Salary Paid   | -                       | 51.05  | -                           | -                       | -                       | 55.40  | -                           | -                       | -                       |
|                                   | Mr. Vishal Kumar Joshi                                      | -                       | 8.24   | -                           | -                       | -                       | 34.49  | -                           | -                       | -                       |
|                                   | Salary Paid   | -                       | 23.10  | -                           | -                       | -                       | 25.41  | -                           | -                       | -                       |
|                                   | Mr.Ch.Sreenivasa Rao  | -                       | -10.00   | 10.00                       | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Staff Loan  | -                       | -  | -                           | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Interest Received   | -                       | 0.04   | -                           | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Relatives of key management personnel                       |                         |  |                             |                         |                         |  |                             |                         |                         |
|                                   | Share Capital (INR 10/- Paid up)                            | 200.61                  | -  | -                           | -                       | 249.18                  | -  | -                           | -                       | 249.18                  |
|                                   | Partly paid up shares (Rs 10 Paid Up) **                    | 39.34                   | -  | 9.23                        | -                       | -                       | -  | -                           | -                       | -                       |
|                                   | Premium Received on Allotment of Partly Paid up Shares **   | 246.23                  | -  | 57.76                       | -                       | -                       | -  | -                           | -                       | -                       |



IKF Finance Limited  
Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023  
(Currency : INR in lakhs)

42 Related Party Disclosure (continued)  
b. Transaction with related parties:

| Name of related party        | Nature of transaction                                       | For the FY 2022         |  |                             |                         | For the FY 2023         |  |                             |                         |
|------------------------------|---|-------------------------|--|-----------------------------|-------------------------|-------------------------|--|-----------------------------|-------------------------|
|                              |   | As at<br>March 31, 2021 | Transaction value<br>for the year<br>ended March 31,<br>2022 | Received During<br>the year | Paid During The<br>year | As at<br>March 31, 2022 | Transaction value<br>for the year<br>ended March 31,<br>2023 | Received During<br>the year | Paid During the<br>Year |
| Mrs. D Vasantha Lakshmi      | Share Capital (INR 10/- Paid up) in IKF Home Finance***     | 0.00                    | -  | -                           | -                       | 0.00                    | -  | -                           | -                       |
|                              | Partly paid up shares (Rs 5.00 Paid Up) in IKF Home Finance | 32.82                   | -  | -                           | -                       | 32.82                   | -  | -                           | -                       |
|                              | Partly paid up shares (Rs 6.77 Paid Up) in IKF Home Finance | -                       | -  | -                           | -                       | -                       | 11.62  | -                           | -                       |
|                              | Director's remuneration in IKF Home Finance                 | -                       | 76.93  | -                           | -                       | -                       | 86.58  | -                           | -                       |
|                              | Unsecured Loan in IKF Home Finance                          | 16.50                   | -  | -                           | 16.50                   | -                       | -  | -                           | -                       |
| Mr. V Raghu Ram              | Share Capital (INR 10/- Paid up)                            | 144.97                  | -  | -                           | -                       | 180.07                  | -  | -                           | -                       |
|                              | Partly paid up shares (Rs 10 Paid Up) **                    | 28.43                   | -  | 6.67                        | -                       | -                       | -  | -                           | -                       |
|                              | Premium Received on Allotment of Partly Paid up Shares **   | 177.93                  | -  | 41.74                       | -                       | -                       | -  | -                           | -                       |
|                              | Share Capital (INR 10/- Paid up) in IKF Home Finance***     | 0.00                    | -  | -                           | -                       | 0.00                    | -  | -                           | -                       |
|                              | Partly paid up shares (Rs 5.00 Paid Up) in IKF Home Finance | 23.72                   | -  | -                           | -                       | 23.72                   | -  | -                           | -                       |
|                              | Partly paid up shares (Rs 6.77 Paid Up) in IKF Home Finance | -                       | -  | -                           | -                       | -                       | 8.40   | -                           | -                       |
|                              | Unsecured Loan in IKF Home Finance                          | 11.93                   | -  | -                           | 11.93                   | -                       | -  | -                           | -                       |
| Mr. Sinha Satyanand Chunduri | Share Capital (INR 10/- Paid up)                            | 11.77                   | -  | -                           | -                       | 11.77                   | -  | -                           | -                       |
| Mrs. Durga Rani Chunduri     | Share Capital (INR 10/- Paid up)                            | 149.41                  | -  | -                           | -                       | 149.41                  | -  | -                           | -                       |



IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

42 Related Party Disclosure (continued)

b. Transaction with related parties:

| Transaction with related parties:   |   | For the FY 2022         |  |                             |                         | For the FY 2023         |  |                             |                         |                         |
|---|---|-------------------------|--|-----------------------------|-------------------------|-------------------------|--|-----------------------------|-------------------------|-------------------------|
| Name of related party   | Nature of transaction   | As at<br>March 31, 2021 | Transaction value<br>for the year<br>ended March 31,<br>2022 | Received During<br>the year | Paid During The<br>year | As at<br>March 31, 2022 | Transaction value<br>for the year<br>ended March 31,<br>2023 | Received During<br>the year | Paid During the<br>Year | As at<br>March 31, 2023 |
| Subsidiary  |   |                         |  |                             |                         |                         |  |                             |                         |                         |
| Enterprises significantly influenced by key management personnel or their relatives |   |                         |  |                             |                         |                         |  |                             |                         |                         |
| IKF Infratech Private Limited   | Non Convertible Debentures  | 58.20*                  |  | -                           | 58.20                   |                         |  |                             |                         |                         |
|   | Interest Paid   | 1.38                    | 0.76   |                             | 2.14                    |                         |  |                             |                         |                         |
| Enterprises in which Directors are interested                                       |   |                         |  |                             |                         |                         |  |                             |                         |                         |
| SVR Finance & Leasing Private Limited   | Trade Advance   |                         |  | -                           | -                       |                         |  |                             |                         |                         |
|   | Interest Paid   | -                       |  |                             |                         |                         |  |                             |                         |                         |
| Enterprises having a significant influence  |   |                         |  |                             |                         |                         |  |                             |                         |                         |
| India Business Excellence Fund-IIA  | Share Capital (INR 10/- Paid up)  | 1,305.16                |  | -                           |                         | 1,305.16                |  |                             | -                       | 1,305.16                |
|   | Share Premium   | -                       |  |                             |                         |                         |  |                             |                         |                         |
|   | Compulsorily Convertible Preference Shares of Rs 100/- Each<br>(Converted into equity shares during the FY 2018-19) |                         |  |                             |                         |                         |  |                             |                         |                         |
|   | Share premium on preference shares  |                         |  |                             |                         |                         |  |                             |                         |                         |
| Vistra ITCL (India) Limited (formerly known as IL and FS Trust Company)             | Share Capital (INR 10/- Paid up)  | 780.40                  |  | -                           |                         | 780.40                  |  |                             |                         | 780.40                  |
|   | Share Premium   |                         |  |                             |                         |                         |  |                             |                         |                         |
|   | Compulsorily Convertible Preference Shares of Rs 100/- Each<br>(Converted into equity shares during the FY 2018-19) |                         |  |                             |                         |                         |  |                             |                         |                         |
|   | Share premium on preference shares  |                         |  |                             |                         |                         |  |                             |                         |                         |

| Particulars                  | As at<br>March 31, 2023 | As at<br>March 31, 2022 |
|------------------------------|-------------------------|-------------------------|
| Short-term employee benefits | 516.49                  | 456.37                  |
| Post-employment benefits#    | -                       | -                       |
| Long-term employee benefits  | -                       | -                       |
| Termination benefits         | -                       | -                       |
| Employee share based payment | -                       | -                       |
| <b>Total compensation</b>    | <b>516.49</b>           | <b>456.37</b>           |

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

\* The increased/Decreased value is relating to purchase of shares/debentures from the public.

\*\* Partly paid shares are full paid and converted to fully paid equity shares.

\*\*\* Since the amounts are in lakhs, Rs.10 subscribed by promoters is shown as zero

Notes:

(i) Transaction values are excluding taxes and duties.

(ii) Name of the related parties and nature of their relationships where control exists have been disclosed irrespective of whether or not there have been transactions with the Company. In other cases,

(iii) Related parties as defined under clause 9 of the Ind AS 24 'Related party disclosures' have been identified based on representations made by key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business

(iv) The Company has not granted loans or advances to promoters, directors, KMPs and the related parties (as defined under the Companies Act, 2013), either severally or jointly with any other person, that is repayable on demand or without specifying any terms or period of repayment for the financial years ended March 31, 2023 and March 31, 2022.



## IKF Finance Limited

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

### 43 Value of Imports calculated on CIF basis

The Company has not imported any goods therefore value of import on CIF basis is Nil

### 44 Expenditure in Foreign Currency

| Particulars                 | Year ended<br>March 31, 2023 | Year ended<br>March 31, 2022 |
|-----------------------------|------------------------------|------------------------------|
| Legal and professional fees | 0.51                         | 0.90                         |
| <b>Total</b>                | <b>0.51</b>                  | <b>0.90</b>                  |

### 45 Earnings in Foreign Currency

The Company does not have any earnings in foreign currency

### 46 Penalty

No penalties were imposed by RBI and other regulators during the current year

### 47 Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2023 (previous year: Nil)

### 48 Postponement of Revenue Recognition

Refer note 2.5 Revenue from operations for the circumstances in which revenue recognition has been postponed pending uncertainty of realisation.

### 49 Dues to micro, small and medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2023, no vendor / supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED

### 50 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:

| Type of borrower   | Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A) | Of (A), aggregate debt that slipped into NPA during the half-year | Of (A) amount written off during the half-year | Of (A) amount paid by the borrowers during the half-year | Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ** |
|--------------------|--|---|--|--|---|
| Personal Loans #   | 704.87   | -   | -  | 85.29  | 619.57  |
| Corporate Persons* | -  | -   | -  | -  | -   |
| of which MSMEs     | -  | -   | -  | -  | -   |
| Others             | 82.81  | -   | -  | 1.66   | 81.15   |
| <b>Total</b>       | <b>787.68</b>  | <b>-</b>  | <b>-</b>                                       | <b>86.95</b>   | <b>700.72</b>   |

\* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

\*\* In case of loan in "others" category, Customer has paid scheduled installment and interest amount of Rs. 1.5 lakhs was added to outstanding amount

# pertains to Home loans and Loan Against Property of IKF Home Finance Limited

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.





## **IKF Finance Limited**

### **Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

#### **51 Registration of charges or satisfaction with Registrar of Companies (ROC)**

All charges or satisfaction are registered with ROC within the statutory period for the financial years ended March 31, 2023 . No charges or satisfactions are yet to be registered with ROC beyond the statutory period.

#### **52 Compliance with number of layers of companies**

The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017 for the financial years ended March 31, 2023 and March 31, 2022.

#### **53 Compliance with approved Scheme(s) of Arrangements**

The Board of Directors of the Company did not approve any scheme of Arrangements during the financial year ended March 31, 2023 and March 31, 2022.

#### **54 Utilisation of Borrowed funds and share premium**

The Company, as part of its normal business, grants loans and advances, makes investment. These transactions are part of Company's normal non-banking finance business, which is conducted ensuring adherence to all regulatory requirements.

Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has also not received any fund from any parties (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

#### **55 Undisclosed income**

There are no transactions not recorded in the books of accounts.

#### **56 Title deeds of Immovable Properties not held in name of the Company**

The Company does not possess any immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the Company during the financial year ended March 31, 2023 and March 31, 2022.

#### **57 Details of Crypto Currency or Virtual Currency**

The Company has not traded or invested in Crypto currency or Virtual currency during the financial years ended March 31, 2023 and March 31, 2022.

#### **58 Details of Benami Property Held**

No proceedings have been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder in the financial years ended March 31, 2023 and March 31, 2022.

#### **59 Wilful Defaulter**

The Company has not been declared as a wilful defaulter by any bank or financial institution or other lender in the financial years ended March 31, 2023 and March 31, 2022.

#### **60 Relationship with Struck off Companies**

The company does not have any transactions with companies whose names have been struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956 in the financial years ended March 31, 2023 and March 31, 2022.

#### **61 Investment in Associates and Structured Entities**

The Company does not have any Associates and Structured Entities



## **IKF Finance Limited**

**Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023**

(Currency : INR in lakhs)

### **62 Note on Code on Social Security, 2020**

The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules thereunder. 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

**63** Previous year's information have been regrouped/reclassified wherever necessary to correspond with current year's classification/disclosure.

For S G C O & Co. LLP  
Chartered Accountants  
ICAI Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.044739  
Place: Mumbai  
Date: 30-May-23



For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP1991PLC012736

V.G.K Prasad  
Chairman  
DIN: 01817992

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

Ch.Sreenivasa Rao  
Company Secretary & Chief Financial Officer  
M.No. ACS14723

Place: Vijayawada  
Date: 30-May-23

**IKF Finance Limited**

Notes forming part of Consolidated Financial Statements for the Year ended March 31, 2023

(Currency : INR in lakhs)

Additional information as required by paragraph 2 of the general instructions for preparation of Consolidated Financial statements to schedule III to the Companies Act, 2013.

| Name of the entity in the Group  | Net Asset, i.e., total assets minus total liabilities |                       | Share in profit or loss             |                       | Share in other comprehensive income             |                       | Share in total comprehensive income |                       |
|--|---|-----------------------|-------------------------------------|-----------------------|---|-----------------------|-------------------------------------|-----------------------|
|  | As % of Consolidated net assets                       | Amount (Rs. in lakhs) | As % of Consolidated profit or loss | Amount (Rs. in lakhs) | As % of consolidated other comprehensive income | Amount (Rs. in lakhs) | As % of total comprehensive income  | Amount (Rs. in lakhs) |
| 1  | 2   | 3                     | 4                                   | 5                     | 6   | 7                     | 8                                   | 9                     |
| <b>Parent</b>  |   |                       |                                     |                       |   |                       |                                     |                       |
| IKF Finance Limited  | 94.62%  | 69,249.99             | 81.28%                              | 5,000.51              | 14.51%  | 9.86                  | 80.55%                              | 5,010.37              |
| <b>Subsidiaries</b>  |   |                       |                                     |                       |   |                       |                                     |                       |
| <b>Indian</b>  |   |                       |                                     |                       |   |                       |                                     |                       |
| IKF Home Finance Limited   | 4.31%   | 3,152.71              | 16.02%                              | 985.46                | 85.50%  | 58.11                 | 16.78%                              | 1,043.57              |
| <b>Foreign</b>   | Not Applicable  | Not Applicable        | Not Applicable                      | Not Applicable        | Not Applicable                                  | Not Applicable        | Not Applicable                      | Not Applicable        |
| <b>Minority Interest in all subsidiaries</b>   | 1.07%   | 784.84                | 1.40%                               | 86.15                 | -   | -                     | 1.39%                               | 86.15                 |
| <b>Inter-company eliminations and consolidation adjustments</b>                                  | -   | -                     | 1.30%                               | 79.86                 | -   | -                     | 1.28%                               | 79.86                 |
| <b>Associates (Investment as per the equity method)</b>  |   |                       |                                     |                       |   |                       |                                     |                       |
| <b>Indian</b>  | Not Applicable  | Not Applicable        | Not Applicable                      | Not Applicable        | Not Applicable                                  | Not Applicable        | Not Applicable                      | Not Applicable        |
| <b>Foreign</b>   | Not Applicable  | Not Applicable        | Not Applicable                      | Not Applicable        | Not Applicable                                  | Not Applicable        | Not Applicable                      | Not Applicable        |
| <b>Joint Ventures (as per proportionate consolidation / investment as per the equity method)</b> |   |                       |                                     |                       |   |                       |                                     |                       |
| <b>Indian</b>  | Not Applicable  | Not Applicable        | Not Applicable                      | Not Applicable        | Not Applicable                                  | Not Applicable        | Not Applicable                      | Not Applicable        |
| <b>Foreign</b>   | Not Applicable  | Not Applicable        | Not Applicable                      | Not Applicable        | Not Applicable                                  | Not Applicable        | Not Applicable                      | Not Applicable        |
| <b>Total</b>   | <b>100.00%</b>  | <b>73,187.53</b>      | <b>100.00%</b>                      | <b>6,151.98</b>       | <b>100.01%</b>                                  | <b>67.98</b>          | <b>100.00%</b>                      | <b>6,219.96</b>       |

For S G C O & Co. LLP  
Chartered Accountants  
ICAI Firm registration number : 112081W/W100184

per Suresh Murarka  
Partner  
Membership No.044739  
Place: Mumbai  
Date: 30-May-23



For and on behalf of the Board of Directors of  
IKF Finance Limited  
CIN: U65992AP1991PLC012736

V.G.K Prasad  
Chairman  
DIN: 01817992

Vasumathi Devi Koganti  
Managing Director  
DIN: 03161150

Ch.Sreenivasa Rao  
Company Secretary & Chief Financial Officer  
M.No. ACS14723

Place: Vijayawada  
Date: 30-May-23