

June 16, 2020 (भारत सरकार का उपक्रम)

Ref: IFL/Sect/BSE/2020-21

BSE Limited,  
Deptt. of Corporate Services,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001

Re: **Submission of Audited Financial Results for the under Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/Ma'm,

Pursuant to Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the Board of Directors at its meeting held on June 16, 2020, has approved the audited Financial Results of the Company for the year ended March 31, 2020. Accordingly, please find enclosed the following:

- i) Audited financial results for the year ended March 31, 2020 along with the Audit Report by Statutory Auditors;
- ii) Statement on Impact of Audit Qualifications (for audit report with modified opinion); and
- iii) Certificate signed by Debenture Trustee under Clause 52(5) of the said Regulations.

Thanking you

Yours truly,  
For IFCI Factors Limited



Mani Dev Sadh  
Company Secretary



**IFCI FACTORS LIMITED**

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2020**

**Statement of Profit and Loss**

(Rs.in Lacs)

Particulars	6 months ended 31.03.2020	6 months ended 31.03.2019	Year to Date figures ended 31.03.2020	Year to Date figures ended 31.03.2019
	(Audited)	(Audited)	(Audited)	(Audited)
<b>Revenue from operations</b>				
Interest Income	430.64	512.30	957.86	1,285.46
Discount and Service Charges	1,371.90	1,437.59	2,788.25	3,304.49
Application and Administration Charges	41.88	54.70	72.36	138.92
<b>Total Revenue from operations</b>	<b>1,844.41</b>	<b>2,004.60</b>	<b>3,818.47</b>	<b>4,728.87</b>
<b>Other Income</b>	<b>138.96</b>	<b>238.91</b>	<b>390.65</b>	<b>350.90</b>
<b>Total Income</b>	<b>1,983.38</b>	<b>2,243.51</b>	<b>4,209.12</b>	<b>5,079.77</b>
<b>Expenses</b>				
Finance Costs	1,300.34	1,538.35	2,788.38	3,500.67
Employee Benefits Expenses	329.60	310.88	630.51	609.01
Depreciation, amortization and impairment	3.16	4.62	6.27	8.66
Provisions & Write Offs	367.55	(249.09)	995.75	794.60
Others expenses	286.02	301.52	569.29	551.55
<b>Total Expenses</b>	<b>2,286.68</b>	<b>1,906.28</b>	<b>4,990.20</b>	<b>5,464.50</b>
Profit / (loss) before exceptional items and tax (III-IV)	(303.30)	337.23	(781.08)	(384.73)
Exceptional Items			-	-
<b>Profit/(loss) before tax</b>	<b>(303.30)</b>	<b>337.23</b>	<b>(781.08)</b>	<b>(384.73)</b>



**आईएफसीआई फैक्टर्स लिमिटेड**

दसवा तल, आईएफसीआई टावर, 61 नेहरु प्लेस, नई दिल्ली - 110 019, भारत

दूरभाष : +91-11-4173 2000, फैक्स : +91-11-4652 1436

वेबसाइट : www.ifcifactors.com

सीआईएन : U74899DL1995GOI074649

**IFCI Factors Limited**

10th Floor, IFCI Tower, 61 Nehru Place, New Delhi - 110 019, India

Phone: +91-11-4173 2000, Fax: +91-11-4652 1436

Website: www.ifcifactors.com

CIN : U74899DL1995GOI074649

<b>Other Comprehensive Income</b>				
Items that will not be reclassified to profit or loss	(45.62)	(3.02)	(46.94)	(2.65)
Income tax relating to items that will not be reclassified to profit or loss	11.86	(0.59)	12.21	0.31
	(33.76)	(3.61)	(34.74)	(2.33)
<b>Total Comprehensive Income for the period</b>	<b>(294.11)</b>	<b>88.57</b>	<b>(573.13)</b>	<b>(2,009.57)</b>
<b>Earnings Per Equity Share</b>				
Basic (₹)	(0.65)	(1.54)	(0.87)	(1.54)
Diluted (₹)	(0.76)	(0.73)	(0.87)	(0.73)





**Balance Sheet****(Rs. In Lacs)**

<b>Particulars</b>	<b>As at Current year ended 31-Mar-20</b>	<b>As at Previous year ended 31-Mar-19</b>
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	2,165.49	1,060.16
Bank Balance other than above	-	1.02
Loans	32,005.43	38,090.75
Investments	937.55	937.55
Other Financial assets	15.67	17.25
<b>Total</b>	<b>35,124.14</b>	<b>40,106.73</b>
<b>Non-financial Assets</b>		
Current tax assets (Net)	674.01	1,244.25
Deferred tax Assets (Net)	8,175.33	7,920.44
Property, Plant and Equipment	11.15	13.53
Other Intangible assets	10.28	13.29
Other non-financial assets	57.36	62.22
Assets held for sale	377.36	-
<b>Total</b>	<b>9,305.48</b>	<b>9,253.73</b>
<b>Total Assets</b>	<b>44,429.62</b>	<b>49,360.45</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
<b>Payables</b>		
<b>(I) Other Payables</b>		
(i) total outstanding dues of creditors other than micro enterprises and small enterprises	157.84	299.27
Debt Securities	15,760.56	15,747.80
Borrowings (Other than Debt Securities)	8,941.31	12,913.76
Other financial liabilities	6,369.23	6,546.89
<b>Total</b>	<b>31,228.93</b>	<b>35,507.72</b>



<b>Non-Financial Liabilities</b>		
Provisions	480.43	588.24
Other non-financial liabilities	100.47	46.57
<b>Total</b>	580.90	634.81
<b>EQUITY</b>		
Equity Share capital	27,943.89	19,940.09
Instruments Entirely Equity in Nature	-	7,503.80
Other Equity	(15,324.10)	(14,225.96)
<b>Total</b>	12,619.79	13,217.92
<b>Total Liabilities and Equity</b>	44,429.62	49,360.45

**Notes:**

- The above results were reviewed by The Audit Committee and approved by the Board of Directors at its meeting held 16<sup>th</sup> June, 2020
- The Non-convertible Bonds of the Company aggregating to Rs. 58.10 crore as at March 31, 2020 are secured by the value of corporate loan receivables and current assets other than factored receivables of the Company.
- Credit Rating and change during the year :**

Facilities	Rating	Previous Rating
Long Term Bank Facilities	CARE BB+;NEGATIVE	CARE BBB- (SO)
Short Term Bank Facilities	CARE A4	CARE A3+ (SO)
Long Term Instruments	CARE BB+;NEGATIVE	CARE BBB-

- Detail of Non-Convertible Bonds/Perpetual Debentures are as follows :**

<b>Redeemable Taxable Non-Convertible Bonds/Perpetual Debentures (Rs. in crore)</b>					
Security / Option /Series / Tranche	Amount	Previous Due Date		Next Due Date	
		Interest	Principal	Interest	Principal
Secured Option 3 Series 1 Tranche 1	17.00	5-Apr-19	-	5-Apr-20	28-Mar-2023
Secured Option 2 Series 1 Tranche 1	41.10	5-Jun-19	-	5-Jun-20	23-Apr-2023
Unsecured Option 2 Series 2	100.00	5-Jul-19	-	5-Jul-20	17-May-2023
<b>Total</b>	<b>158.10</b>				

The Company has paid the interest on Bonds on due dates



## 5. Analytical Ratios

Ratios	As at March 31, 2020	As at March 31, 2019
Capital Adequacy Ratio	18.88%	17.32 %
Earnings Per Share (EPS)	(0.87)	(1.54)
NPA Ratios		
a) Gross NPA/Net NPA(Times)	9.43	10.72
b) % of Gross NPA/Net NPA	943.61%	1072.11%
c) Return on Assets (PBT/Total Assets)	-0.012	-0.041%
Debt Equity Ratio(Times)	1.71	2.02
Net Worth (Rs. In Lacs)	12619.79	13217.92

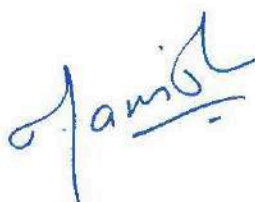
Debt Equity Ratio is calculated as Total Debt/ Total Equity, where Equity comprises of Equity shares, Preference Shares and Reserves, Debt comprises of Bonds, Short Term and Long Term Borrowings of the Company.

6. Previous period figures have been re-grouped/re-classified wherever necessary.

For **IFCI Factors Limited**

  
Bikash Kanti Roy  
Managing Director  
DIN : 02171876

Date: June 16, 2020  
Place: New Delhi

  
(MANISH JAIN)







**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF IFCI FACTORS LIMITED**

**Report on the Standalone Ind AS Financial Statements**

**Opinion**

We have audited the accompanying standalone financial statements of IFCI Factors Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and 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 ("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 state of affairs of the Company as at 31 March 2020, and its loss, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Disclaimer of Opinion**

We draw attention to Note no. 7 to the financial statements regarding recognition of Deferred Tax Assets on account of provisions of Non-Performing Assets. In case of Deferred Tax Assets of ₹81.75 Crores as on 31 March 2020, in the opinion of management there is reasonable certainty of availability of future taxable income to realize the deferred tax assets. Considering the past accumulated losses and further stressed standard assets and nature of factoring business, we are unable to comment on the sufficiency of the future taxable profits of the company which can realize the deferred tax assets.

As a result of this matter, we have not been able to obtain sufficient appropriate audit evidence on the said matter to state whether any adjustments would be required to the information included in the financial statements and impact thereof.

**Disclaimer of Opinion**

Because of the significance of matters described in the basis for Disclaimer of Opinion paragraph, we are unable to express an audit opinion on the same.

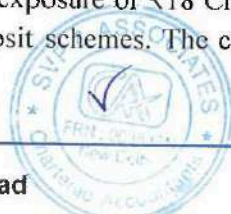
**Emphasis of Matter**

We draw attention to the following matters relating to borrowers' accounts:

1. In our view, the following accounts of the Company appear to be High risk accounts:

**A. Ind Swift Laboratories Limited**

The Company has sanctioned exposure of ₹18 Crores in the company which had defaulted with all its bankers and public deposit schemes. The company has also defaulted with IFCI Limited.



The company was suffering losses since 2012, however the company is now generating sufficient profits to cover its financial obligations but for the 9 months ended 31 December 2019, the company has reported a net loss of ₹9.35 Crores (Source: BSE). Company is also paying Rs.90 Lakh per month to IFL.

#### B. Real Estate Industry Exposure

The Company has exposure in the real estate industry. Omaxe Ltd, Vatika Ltd, BPTP Ltd, Ganesh Housing Ltd and GTM Builders and Promoters Ltd are the clients having credit limits from the company. The real estate industry is struggling in the NCR region. Many clients like Jaypee, Amrapali, Lotus and 3C's have defaulted with banks and Financial institutions. The Company has exposure with real estate clients having long track record with them, but the risk is sufficiently covered.

#### C. Shriram EPC Limited

The account has become high stressed.

Our opinion is not modified in respect of this matter.

#### Other Matter

We draw attention to the following other matters:

1. The list of total active clients has been analysed for their working and professional conduct. Though we have relied on the information provided by the Company w.r.t. the conduct of account with them, information has been gathered from the public domain. Efforts have been made to update on the legal cases that IFL clients have been facing, that may impact the business and overall working of the clients and in a broader perspective may impact the right use of public money. The information will also help IFL management in making risk analysis of the portfolio and in taking steps going forward.
2. **Complaints received against the company or its officers**

During the year under consideration, a series of allegations have been levelled against a few officers of the Company by two retainers of IFCI Factors Limited (hereinafter referred to as "the Company"). These allegations consisted of alleged wrong doing at the company, which indicated a deficiency in internal controls and misappropriation of the funds of the company for personal gains of certain key managerial personnel

In this regards the company submitted that Post submission of the external agency report as well as all the documents and replies submitted to the office of the CVO, directions are awaited from the CVO on the same. The moment any direction is received from the CVO, the same shall be shared with all the concerned stakeholders.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. 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





Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Impairment of Financial Assets held at amortised cost:</b></p> <p>The Company exercises significant judgement using subjective assumptions over both when and how much to record as impairment for loans and advances and estimation of the amount of the impairment provision for loans and advances.</p> <p>The most significant areas are:</p> <ul style="list-style-type: none"> <li>• <b>impairment models:</b> <ul style="list-style-type: none"> <li>- Judgement is required to determine the inputs, methodologies, staging/restaging in case of Significant increase in Credit Risk ("SICR") cases and assumptions and these can significantly impact the provisions held. The most significant judgements include the segmentation level at which historical loss rates are calculated, the length of the recovery period and the loss emergence period applied to historical loss provisions.</li> </ul> </li> <li>• <b>identification of impairment:</b> <ul style="list-style-type: none"> <li>- Corporate exposures are individually assessed for impairment (including identification of cases with SICR) based on a borrower's financial performance, solvency, liquidity etc.</li> <li>- For Retail exposures, collective impairment allowances are calculated using models which approximate credit conditions on homogenous portfolios of loans.</li> </ul> </li> <li>• <b>Inputs and Judgements used in determination of management overlay at various asset stages considering the current uncertain economic environment with the range of possible effects unknown to the country arising out of the COVID-19 pandemic.</b></li> </ul> <p>Since the loans and advances form a major portion of the Company's assets, and due to the significance of the judgments used in classifying loans and advances into various stages as stipulated in Indian Accounting Standard (IND AS) 109 and determining related impairment provision requirements, this is considered to be the area that had a greater focus of our overall Company audit and a key audit matter.</p>	<p>Principal audit procedure performed</p> <ul style="list-style-type: none"> <li>• We read the Company's Ind-AS 109 based impairment provisioning policy ;</li> <li>• We gained an understanding of the Company's key credit processes comprising granting, booking, monitoring, staging and provisioning and tested the operating effectiveness of key controls over these processes;</li> <li>• We tested the completeness of loans and advances, off balance sheet items and other financial assets included in the Expected Credit Loss (ECL) calculations as of 31 March 2020;</li> <li>• For data from external sources, we understood the process of choosing such data, its relevance for the Company, and the controls and governance over such data;</li> <li>• Where relevant, we used Information System specialists to gain comfort on data integrity;</li> <li>• We tested the data integrity and completeness of the Staging Report;</li> <li>• For provision against exposures, we obtained an understanding of the Company's provisioning methodology, consistency of various inputs and assumptions used, the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management;</li> <li>• For a sample of exposures, we tested the appropriateness of determination of significant increase in credit risk and the resultant basis for classification of exposures into</li> </ul>

✓

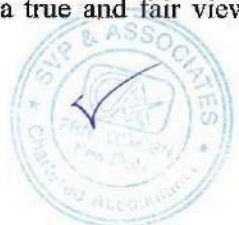
	<p>various stages;</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the calculation of the management overlay in response to COVID-19 related economic uncertainty.</li> <li>• We performed an overall assessment of the provision levels at each stage including management's assessment on COVID-19 impact to determine if they were reasonable considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment.</li> </ul>
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**Information Other than the Financial Statements and Auditor's Report Thereon**

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report and Management Discussion and Analysis report, but does not include the standalone financial statements and our auditor's report thereon. The Director's report and Management Discussion and Analysis report is expected to be made available to us after the date of this auditor's 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

**Management's Responsibility 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 Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 standalone financial statement 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.

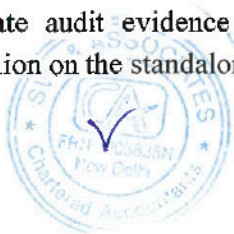
Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibility 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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 financial 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 the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the standalone financial statements.



- 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.

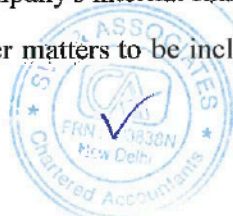
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

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 of the current period 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 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, 2016 ("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, to the extent applicable.
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 purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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, 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 Company does not have any pending litigations which may impact its financial position;
  - (ii) the Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;
  - (iii) there has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
  - (iv) as per the directions/sub directions issued by the C&AG of India under section 143(5) of the Companies Act 2013 and on the basis of such verification of the books and records as considered appropriate and available and according to explanations given to us and as per declarations given by the company, we enclosed in Annexure – 'C' a statement on the matters specified in directions issued by The Comptroller and Audit General of India.

**For SVP & Associates**

*Chartered Accountants*

ICAI Firm Registration Number: 003838N



**CA VIJAY KUMAR CHOPRA**

*Partner*

Membership No.: 054600

UDIN: 20054600AAAACB6067

Place: New Delhi

Date: 16 June 2020



**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF IFCI FACTORS LIMITED FOR THE YEAR ENDED MARCH 31, 2020**

- i)
- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) According to the information and explanations given to us, all fixed assets have been physically verified by the management in phased manner during the year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
  - c) The Company does not own any immovable property, hence clause not applicable.
- ii) The Company does not have any inventory. Therefore, the provisions of clause 3 (ii) of the Order, are not applicable.
- iii) As informed to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, provisions of clause 3(iii) (a) to (c) of the Order are not applicable.
- iv) The Company is a registered non-banking finance company to which the provisions of Sections 185 and 186 of the Companies Act, 2013, are not applicable, and hence reporting under clause (iv) of CARO 2016 is not applicable.
- v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits as per the directions issued by the Reserve Bank of India from the public in accordance with relevant provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph (v) of the Order is not applicable to the Company.
- vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services/activities rendered by the company.
- vii) a) According to the information and explanations given to us and according to the records produced before us for verification, the Company is regular in depositing, with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Service Tax, custom duty, excise duty, cess and any other material statutory dues applicable to it. As explained to us, the company did not have any dues on account of employees' state insurance.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income Tax, Sales Tax, Service Tax, Custom duty, excise duty, cess and any other statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

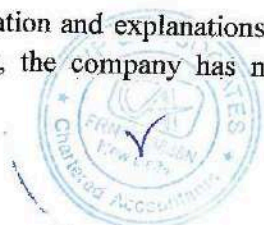




b) According to the information and explanations given to us, there are no material dues of income tax, excise duty, sales tax, custom duty and service tax, which have not been deposited with appropriate authorities on account of any dispute except the following:

Name of the Statute	Nature of Dues	Amount (₹ in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	3,73,044	A/Y 2002-03	AO/TRO
Income Tax Act, 1961	Income Tax	2,66,464	A/Y 2003-04	AO/TRO
Income Tax Act, 1961	Income Tax	9,42,182	A/Y 2004-05	AO/TRO
Income Tax Act, 1961	Income Tax	5,38,440	A/Y 2011-12	AO/TRO

- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, banks, Government (both state and Central) or debenture holders.
- ix) The company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. On the basis of information and explanations given to us, the money raised by way of term loans have been applied for the purposes for which they were obtained.
- x) According to the information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- xi) To the best of our knowledge and belief and according to the information and explanations given to us, Section 197 read with schedule V of the Act is not applicable to the company.
- xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi company. Accordingly, paragraph 3(xii) of the order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) The Company has made Preferential Allotment of 50,00,000 Equity Shares of Rs.10 each to IFCI Ltd upon conversion of 100 Optionally Convertible Debentures of Rs. 500,000 each.  
The requirement of section 42, 62(1)(c), 71 of the Companies Act, 2013 has been complied with.
- xv) According to the information and explanations given to us and based on our examination of the records of the company, the company has not been entered into non cash transaction with



directors or persons connected with him. Accordingly, paragraph 3(xv) of the order is not the applicable.

- xvi) According to the information and explanations given to us and based on our examination of the records of the company, the company has received registration certificate dated 3<sup>rd</sup> June, 2009 from RBI under section 45-IA of the Reserve Bank of India Act, 1934 and is permitted to carry on the business as NBFC-Factors in accordance with the Factoring Regulation Act, 2011.

**For SVP & ASSOCIATES**

*Chartered Accountants*

ICAI Firm Registration Number: 003838N



**CA VIJAY KUMAR CHOPRA**

*Partner*

Membership No.: 054600

UDIN: 20054600AAAACB6067

Place: New Delhi

Date: 16 June 2020





## **ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF IFCI FACTORS LIMITED**

### **Report on the Internal Financial Controls over Financial Reporting 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 IIFL Finance Limited (Formerly known as IIFL Holdings Limited) ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS 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 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 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 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 Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**





A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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 and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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 SVP & ASSOCIATES**

*Chartered Accountants*

ICAI Firm Registration Number: 003838N



**CA VIJAY KUMAR CHOPRA**

*Partner*

Membership No.: 054600

UDIN: 20054600AAAACB6067

Place: New Delhi

Date: 16 June 2020



## ANNEXURE 'C' TO THE INDEPENDENT AUDITOR'S REPORT

**Statements on the matters Specified in directions issued by the Comptroller and Audit General of India in accordance with Section 143(5) of the Companies Act, 2013  
(Referred to in Paragraph 3 of our Audit Report of even date)**

1. According to information and explanations given to us and based on the information available, the company is having lease deed(s) for its leasehold Properties.
2. According to information and explanations given to us and based on the information available and as per declaration given by the company, the Cases of Restructure/waiver/write off of debtors/loan/interest etc. as approved by the Board of Directors during the year ended 31 March 2020 are as follows:

S. No.	List of cases of write off/ waiver of debtors/loans/Interest During the financial year 2019-2020	Amount Involved (₹ in Crores)		
		Principal Waiver	Interest Waiver	Total Waiver
1	Multi Flex Lami Print Ltd	3.46	10.56	14.02
2	MVL Industries Ltd	0.24	3.31	3.55
3	MVL Ltd	7.86	14.05	21.91
4	Accurate Transformers Ltd	1.63	3.07	4.70
5	GHV India Pvt Ltd	-	0.03	0.03
	<b>Total</b>	<b>13.19</b>	<b>31.02</b>	<b>44.21</b>

3. According to information and explanations given to us and based on the information available, the company does not have inventory lying with third parties and no assets have been received as gift/grants from the Government or other authorities.
4. According to information and explanations given to us and based on the information available, the company has well established IT system in place for processing of accounting transactions. The company has Trade Free system for recording factoring transactions and Oracle for term loan and Accounting entries. The company also has requisite maker checker concept in place for recording the transactions there will not be any dilution in the integrity of accounting transaction, if the transaction is processed outside the IT system.
5. According to information and explanations given to us and based on the information available, the Trial Balance of the company is generated from Oracle and the Balance Sheet is prepared on excel, the data are transported from oracle to excel, and further processing is done manually.





Sub-Directions

1. According to information and explanations given to us and based on the information available, there is no investment in CGS/SGS/Bonds/Debentures, hence the verification of titles of ownership in respect of CGS/SGS/Bonds/Debentures etc. are not applicable.
2. According to information and explanations given to us and based on the information available, there is a system of periodical assessment of realisable value of securities available against all restructured (except Critical Mass Multilink Limited), rescheduled and renegotiated loan and adequate provision has been created during the year.

**For SVP & ASSOCIATES**

*Chartered Accountants*

ICAI Firm Registration Number: 003838N



**CA VIJAY KUMAR CHOPRA**

*Partner*

Membership No.: 054600

UDIN: 20054600AAAACB6067

Place: New Delhi

Date: 16 June 2020





**Statement on Impact of Audit Qualifications (for audit report with modified opinion)  
on Annual Audited Financial Results for the year ended March 31, 2020**

Pursuant to Regulation 52 of SEBI (LODR) Regulations, 2016			(Rs. in lac)	
I	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1	Turnover / Total income	4,209.12	4,209.12
	2	Total Expenditure	4,990.20	4,990.20
	3	Net Profit/(Loss)	(781.08)	(781.08)
	4	Earnings Per Share	(0.87)	(0.87)
	5	Total Assets	44,429.62	44,429.62
	6	Total Liabilities	31,809.83	31,809.83
	7	Net Worth	12,619.79	12,619.79
	8	Any other financial item(s) (as felt appropriate by the management)	-	-

**II Audit Qualification (each audit qualification separately):**

**a) Details of Audit Qualification :**

We draw attention to Note no. 7 to the financial statements regarding recognition of Deferred Tax Assets on account of provisions of Non-Performing Assets. In case of Deferred Tax Assets of ₹81.75 Crores as on 31 March 2020, in the opinion of management there is reasonable certainty of availability of future taxable income to realize the deferred tax assets. Considering the past accumulated losses and further stressed standard assets and nature of factoring business, we are unable to comment on the sufficiency of the future taxable profits of the company which can realize the deferred tax assets.



As a result of this matter, we have not been able to obtain sufficient appropriate audit evidence on the said matter to state whether any adjustments would be required to the information included in the financial statements and impact thereof.

b) **Type of Audit Qualification :** ~~Qualified Opinion / Disclaimer of Opinion/ Adverse Opinion~~

c) **Frequency of qualification:** ~~Whether appeared first time / repetitive /since how long continuing~~

d) **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA**

e) **For Audit Qualification(s) where the impact is not quantified by the auditor: - N.A**

i) Management's estimation on the impact of audit qualification: **Nil**

ii) If management is unable to estimate the impact, reasons for the same :


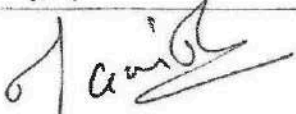

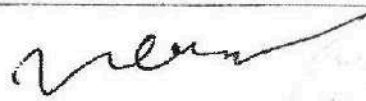

As per Accounting Standard 22, Para 15 "Except in the situations stated in paragraph 17, deferred tax assets should be recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized". When DTA is created due to Unabsorbed depreciation and unabsorbed losses only then virtual certainty supported by convincing evidence that sufficient future taxable income will be available, shall be the point of consideration. However in case of IFCI Factors Ltd.(IFL) DTA is due to timing differences other than unabsorbed depreciation and unabsorbed losses, and hence the point of consideration is whether there is REASONABLE CERTAINETY that sufficient future taxable income will be available against which such deferred tax assets can be realized. IFL has approx. Rs.350 cr assets under recovery mechanism, which it hopes to recover in next 2-3years. IFL has recovered Rs.23 cr in FY 16-17 & Rs.41.0 cr in FY 17-18 from NPA and Rs.39.95 crore in FY 2018-19 and Rs. 20.57 cr in FY 19-20 from NPA. Further expects to recover Rs. 30 cr (approx.) in FY 20-21. IFL has been profitable on the Operating level i.e Profit before Provisions and write off. Major losses have been on account of



Provisions only, the provisions are being made against the NPA. Due to Covid-19 Pandemic IFL ended FY 2019-20 with a Loss after Tax of Rs. 5.73 crore. IFL will become profitable from the FY 2020-21 and shall utilize the DTA in next 5 years.

iii) Auditors' Comments on (i) or (ii) above: No

**Signatories**

Bikash Kanti Roy Managing Director	
Manish Jain CFO	
Arvind Kumar Jain Audit Committee Chairman	
(Vijay Kumar Chopra) SVP & Associates Statutory Auditors	 

Date : June 16, 2020

Place: New Delhi



**June 16, 2020**

To,  
Mr. Mani Dev Sadh  
Company Secretary,  
IFCI Factors Limited,  
10<sup>th</sup> Floor, IFCI Tower, 61, Nehru Place,  
New Delhi – 110019

Dear Sir,

**Sub: Certificate of Debenture Trustee under Regulation 52(5) of SEBI (LODR) Regulations, 2015 for March 31, 2020.**

In compliance of the requirements of Chapter V, Regulation 52, Sub – Regulation (4) and (5) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 for Non – Convertible Debt Securities we would like to state as under:

We, Vistra ITCL (India) Limited, are acting as a Debenture Trustee for the Secured/Unsecured, Redeemable, Taxable, Non-Convertible Bonds issue of Rs. 158.10 crores (Rs.100crs. + Rs.58.10 crs.) of IFCI Factors Limited.

With reference to above, we have received the following documents and have noted its contents without verification:

1. Disclosure under compliance of the requirements under Regulation 52(4) of SEBI (LODR) Regulations, 2015 as on March 31, 2020 dated June 16, 2020.
2. Credit rating letters (Brickwork rating & CARE rating) dated August 12, 2019 & July 01, 2019 respectively.

This certificate has been signed and issued by us based on documents (mentioned above) submitted by you.

Thanking You.

Yours sincerely,  
**For Vistra ITCL (India) Limited**



**Authorized Signatory**  
**Place: Mumbai**

Registered office:

The IL&FS Financial Centre,  
Plot C- 22, G Block, 7th Floor  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400051

Tel +91 22 2659 3535  
Fax: +912226533297  
Email: mumbai@vistra.com  
[www.vistraitcl.com](http://www.vistraitcl.com)

Vistra ITCL (India) Limited

Corporate Identity Number (CIN):U66020MH1995PLC095507