



**KIFS FINANCIAL SERVICES LIMITED**



## **Registered office**

### **KIFS Financial Services Limited**

B-81, Pariseema Complex, C. G. Road,  
Ellisbridge, Ahmedabad – 380006, Gujarat, India.

CIN: L67990GJ1995PLC025234, Ph. No.: +91 79 26400140, 740,

Fax: +91 79 26403717, Email: [cs@kifs.co.in](mailto:cs@kifs.co.in), Website: [www.kifsfinance.com](http://www.kifsfinance.com)

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## KIFS FINANCIAL SERVICES LIMITED

### CORPORATE INFORMATION

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#### 25<sup>TH</sup> ANNUAL GENERAL MEETING

Tuesday, September 29, 2020

#### BOARD OF DIRECTORS

**Mr. Rajesh P. Khandwala**

Chairman & managing director

**Mrs. Sonal R. Khandwala**

Director

**Mr. Devang M. Shah**

Independent director

**Mr. Dharmendra N. Soni**

Independent director

**Mr. Sharvil B. Suthar**

Independent director

#### COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Durgesh D. Soni

#### CHIEF FINANCIAL OFFICER

Mr. Bhavik J. Shah

#### REGISTERED & CORPORATE OFFICE

B – 81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380006, Gujarat, India.  
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Ph. no.: +91 79 26400140, 740,  
Fax: +91 79 26403717,  
Email: cs@kifs.co.in,  
Website: www.kifsfinance.com

#### STATUTORY AUDITORS

M/s. Bimal Shah Associates,  
Chartered accountants, Ahmedabad

#### INTERNAL AUDITORS

M/s. SMPK & Associates LLP, Ahmedabad

#### SECRETARIAL AUDITORS

M/s. Anamika Jajoo & Co.,  
Practicing company secretary, Ahmedabad

#### BANKERS

HDFC Bank – Ahmedabad  
Bank of Maharashtra – Ahmedabad  
IndusInd Bank – Mumbai

#### REGISTRAR & SHARE TRANSFER AGENT (RTA)

Link Intime India Private Limited

#### REGISTERED OFFICE ADDRESS OF RTA

C-101, 247 Park, L.B.S. Marg, Vikhroli (W),  
Mumbai – 400083, Maharashtra, India.  
Ph. no.: +91 22 49186270,  
Fax: +91 22 49186060,  
Email: rnt.helpdesk@linkintime.co.in

#### AHMEDABAD BRANCH OFFICE ADDRESS OF RTA

506-508, Amarnath Business Center – 1,  
Besides Gala Business Center,  
Nr. St. Xavier's College Corner,  
Off C. G. Road, Navrangpura,  
Ahmedabad – 380009, Gujarat, India.  
Ph. no.: +91 79 26465179, 86, 87,  
Fax: +91 79 26465179,  
Email: ahmedabad@linkintime.co.in,  
Website: www.linkintime.co.in

#### ISIN

INE902D01013

#### BSE SCRIP CODE

535566

#### CIN

L67990GJ1995PLC025234

## Notice of 25<sup>th</sup> annual general meeting

**NOTICE** is hereby given that the 25<sup>th</sup> annual general meeting of the members of KIFS Financial Services Limited is scheduled to be held on **Tuesday, September 29, 2020** at **4:00 pm** through electronic mode [video conference (“VC”) or other audio visual means (“OAVM”)] to transact the following business:

### Ordinary businesses

#### Item no. 1 – Adoption of financial statements

To receive, consider and adopt the audited financial statements of the company for the financial year ended on March 31, 2020 together with reports of the directors and auditors thereon.

#### Item no. 2 – Declaration of final dividend

To declare a final dividend on equity shares of the company for the financial year ended on March 31, 2020.

#### Item no. 3 – Re-appointment of director(s) retiring by rotation

To appoint a director in place of Mr. Rajesh P. Khandwala (DIN: 00477673), who retires by rotation and being eligible, offers himself for re-appointment.

### Special businesses

#### Item no. 4 – Appointment of Mr. Sharvil B. Suthar (DIN: 08785030) as an independent director

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of section 149, 150, 152, 160 and other provisions, if any, applicable to the company, for the time being in force, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or reenactment thereof for the time being in force), subject to the provisions of schedule IV of the Companies Act, 2013, regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the articles of association of the company, appointment of Mr. Sharvil B. Suthar (in respect of whom, the company has, pursuant to the provisions of section 160 of the Companies Act, 2013, received a notice in writing from a member proposing his candidature for the office of independent director) made by the board of directors at its meeting held on June 29, 2020, be and is hereby approved by the members of the company for a term of five consecutive years effective from the date of the board meeting said above and that Mr. Sharvil B. Suthar shall not be liable to retire by rotation.”

#### Registered & corporate office

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Email: cs@kifs.co.in,  
Website: www.kifsfinance.com

By order of board of directors  
For **KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

## Notes

1. An explanatory statement pursuant to section 102 of the Companies Act, 2013, ('the Act') relating to the special business to be transacted at the annual general meeting ('AGM') is annexed hereto.
2. In view of the continuing restrictions on the movement of people at several places in the country, due to outbreak of COVID-19, the Ministry of Corporate Affairs (MCA), vide its general circular no. 20/2020 dated May 05, 2020 read with general circular no. 14/2020 dated April 08, 2020 and general circular no. 17/2020 dated April 13, 2020 and other applicable circulars issued by the Securities and Exchange Board of India (SEBI), has allowed the companies to conduct the AGM through video conferencing (VC) or other audio visual means (OAVM) during the calendar year 2020. In accordance with the said circulars of MCA, SEBI and applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (listing regulations), the 25<sup>th</sup> AGM of the company shall be conducted through VC / OAVM. National Securities Depository Limited ('NSDL') will be providing facility for voting through remote e-voting, for participation in the AGM through VC / OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC / OAVM is explained at note no. 9 below and is also available on the website of the company at [www.kifsfinance.com](http://www.kifsfinance.com).
3. As the AGM shall be conducted through VC / OAVM, the facility for appointment of proxy by the members is not available for this AGM and hence, the proxy form and attendance slip including route map are not annexed to this notice.
4. Institutional / corporate members are requested to send a scanned copy (pdf / jpeg format) of the board resolution authorizing its representatives to attend and vote at the AGM, pursuant to section 113 of the Act, on email id of the scrutinizer at [asejaipur@yahoo.com](mailto:asejaipur@yahoo.com) and the email id of company at [cs@kifs.co.in](mailto:cs@kifs.co.in).
5. The register of members and share transfer books of the company will be closed from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive) for the purpose of annual general meeting.

### **ELECTRONIC DISPATCH OF ANNUAL REPORT AND PROCESS FOR REGISTRATION OF EMAIL ID FOR OBTAINING COPY OF ANNUAL REPORT**

6. In accordance with, the general circular no. 20/2020 dated May 05, 2020 issued by MCA and circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by SEBI, owing to the difficulties involved in dispatching of physical copies of the financial statements (including report of board of directors, auditor's report or other documents required to be attached therewith), such statements including the notice of AGM are being sent in electronic mode to members whose e-mail address is registered with the company or the depository participant(s).
7. Members holding shares in physical mode and who have not updated their email addresses with the company are requested to update their email addresses by writing to the RTA of the company on the email id [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in) along with the copy of the signed request letter mentioning the name and address of the member, mobile number, self-attested copy of the PAN card, and self-attested copy of any document (eg.: driving license, election identity card, passport) in support of the address of the member. Members holding shares in dematerialized mode are requested to register / update their email addresses with the relevant depository participants. In case of any queries / difficulties in registering the e-mail address, members may write to RTA of the company on the email id [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in).

#### **Updation of bank account details:**

Members who have not updated their bank account details for receiving the dividends directly in their bank accounts through Electronic Clearing Service or any other means may follow the below instructions:

Physical holding	<p>Send a scanned copy of the following details / documents to the registrar of the company Link Intime India Private Limited, at <a href="mailto:ahmedabad@linkintime.co.in">ahmedabad@linkintime.co.in</a></p> <p>a) a signed request letter mentioning your name, folio number, complete address and following details relating to bank account in which the dividend is to be received:</p> <p>i. Name and branch of bank and bank account type;</p> <p>ii. Bank account number &amp; type allotted by your bank after implementation of core banking solutions;</p>
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	<p>iii. 11 digit IFSC code;</p> <p>b) self-attested scanned copy of cancelled cheque bearing the name of the member or first holder, in case shares are held jointly;</p> <p>c) self-attested scanned copy of the PAN card; and</p> <p>d) self-attested scanned copy of any document (such as AADHAR card, driving license, election identity card, passport) in support of the address of the Member as registered with the company.</p>
Demat holding	Members holding shares in demat form are requested to update their bank account details with their respective DPs.

8. The notice of AGM along with annual report for the financial year 2019-20, is available on the website of the company at [www.kifsfinance.com](http://www.kifsfinance.com), on the website of BSE Limited and the AGM notice is also available on the website of NSDL (agency for providing the remote e-voting facility) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

#### PROCEDURE FOR JOINING THE AGM THROUGH VC / OAVM

9. Members will be provided with a facility to attend the AGM through VC / OAVM through the NSDL e-voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders / members login by using the remote e-voting credentials. The link for VC / OAVM will be available in shareholders / members login where the EVEN of company will be displayed. Please note that the members who do not have the user ID and password for e-voting or have forgotten the user ID and password may retrieve the same by following the remote e-voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-voting system of NSDL.
10. The members can join the AGM in the VC / OAVM mode 15 minutes before and after the scheduled time of the commencement of the meeting by following the procedure mentioned in the notice. The facility of participation at the AGM through VC / OAVM will be made available for 1,000 members on first come first served basis. This will not include large shareholders (shareholders holding 2% or more shareholding), promoters, institutional investors, directors, key managerial personnel, the chairpersons of the audit committee, nomination and remuneration committee and stakeholders relationship committee, auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
11. Members who need assistance before or during the AGM can contact NSDL on [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) / 1800-222-990 or contact Mr. Amit Vishal, senior manager – NSDL at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in) / 022-24994360 / +91 9920264780 or Mr. Sagar Ghosalkar, assistant manager – NSDL at [sagar.ghosalkar@nsdl.co.in](mailto:sagar.ghosalkar@nsdl.co.in) / 022-24994553 / +91 9326781467.
12. Members are encouraged to join the meeting through laptops for better experience.
13. Further members will be required to allow camera and use internet with a good speed to avoid any disturbance during the meeting.
14. Please note that participants connecting from mobile devices or tablets or through laptop connecting via mobile hotspot may experience audio / video loss due to fluctuation in their respective network. It is, therefore, recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
15. The attendance of the members attending the AGM through VC / OAVM will be counted for the purpose of reckoning the quorum under section 103 of the Companies Act, 2013.
16. Pursuant to the provisions of section 108 of the Companies Act, 2013 read with rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and regulation 44 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020 and May 05, 2020, the company is providing facility of remote e-voting to its members in respect of the business to be transacted at the AGM. For this purpose, the company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as venue voting on the date of the AGM will be provided by NSDL.

17. AGM has been convened through VC / OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA circulars nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020 and 20/2020 dated May 5, 2020.

#### **PROCEDURE TO RAISE QUESTIONS / SEEK CLARIFICATIONS WITH RESPECT TO ANNUAL REPORT**

18. As the AGM is being conducted through VC / OAVM, for the smooth conduct of proceedings of the AGM, members are encouraged to express their views / send their queries in advance mentioning their name demat account number / folio number, email id, mobile number at [cs@kifs.co.in](mailto:cs@kifs.co.in). Questions / queries received by the company till 5.00 pm IST on Thursday, September 24, 2020 shall only be considered and responded during the AGM.
19. Members who would like to express their views or ask questions during the AGM may use chat facility to raise questions to moderator. The moderator then will ask one by one question during the meeting.
20. The company reserves the right to restrict the number of questions and number of speakers, as appropriate for smooth conduct of the AGM.
21. **THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING ARE AS UNDER**

The remote e-voting period begins on Saturday, September 26, 2020 at 9:00 am IST and ends on Monday, September 28, 2020 at 5:00 pm IST. The remote e-voting module shall be disabled by NSDL for voting thereafter.

During this period, members holding shares either in physical form or in dematerialized form, as on Tuesday, September 22, 2020 i.e. cut-off date, may cast their vote electronically. Those members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM. Any recipient of the notice, who has no voting rights as on cut-off date, shall treat this notice as information only.

#### **HOW DO I VOTE ELECTRONICALLY USING NSDL E-VOTING SYSTEM?**

The way to vote electronically on NSDL e-voting system consists of “Two Steps” which are mentioned below:

- Step 1: Log-in to NSDL e-voting system at <https://www.evoting.nsdl.com/>  
Step 2: Cast your vote electronically on NSDL e-voting system

#### **A DETAIL ON STEP-1 IS MENTIONED BELOW**

##### **How to log-in to NSDL e-voting website?**

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
3. A new screen will open. You will have to enter your user ID, your password and a verification code as shown on the screen.

Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. cast your vote electronically.

4. Your user ID details are given below:

<b>Manner of holding shares i.e. demat (NSDL or CDSL) or physical</b>	<b>Your user ID is:</b>
a) For members who hold shares in demat account with NSDL.	8 character DP ID followed by 8 Digit Client ID  For example if your DP ID is IN300*** and client ID is 12***** then your user ID is IN300***12*****.
b) For members who hold shares in demat account with CDSL.	16 Digit beneficiary ID  For example if your beneficiary ID is 12***** then your user ID is 12*****
c) For members holding shares in physical form.	EVEN number followed by folio number registered with the company For example if folio number is 001*** and EVEN is 123456 then user ID is 123456001*** <b>(EVEN of your company is 113654)</b>

5. Your password details are given below:

- a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
- b) If you are using NSDL e-voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
- c) How to retrieve your ‘initial password’?
  - i. If your email ID is registered in your demat account or with the company, your ‘initial password’ is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your ‘user ID’ and your ‘initial password’.
  - ii. If your email ID is not registered, your ‘initial password’ is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password:

- a.) Click on “Forgot User Details / Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b.) Physical User Reset Password?” (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - c.) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number / folio number, your PAN, your name and your registered address.
7. After entering your password, tick on agree to “Terms and Conditions” by selecting on the check box.  
8. Now, you will have to click on “Login” button.  
9. After you click on the “Login” button, home page of e-voting will open.

### **A DETAIL ON STEP-2 IS GIVEN BELOW:-**

#### **How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at step 1, you will be able to see the home page of e-voting. Click on e-voting. Then, click on active voting cycles.
2. After click on active voting cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
3. Select “EVEN” of company for which you wish to cast your vote. **(EVEN of your company is 113654)**
4. Now you are ready for e-voting as the voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
6. Upon confirmation, the message “vote cast successfully” will be displayed.



7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

## GENERAL GUIDELINES FOR SHAREHOLDERS

Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (pdf / jpg format) of the relevant board resolution / authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by e-mail to asejaipur@yahoo.com with a copy marked to evoting@nsdl.co.in.

It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details / Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.

In case of any queries, you may refer the frequently asked questions (FAQs) for shareholders and e-voting user manual for shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in.

In case of any grievances connected with facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4<sup>th</sup> Floor, ‘A’ Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013, Maharashtra, India. Email: evoting@nsdl.co.in / pallavid@nsdl.co.in, Tel: +91-22-2499 4545 / 1800-222-990

### 22. Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of email ids for e-voting for the resolutions set out in this notice:

i) In case shares are held in physical mode please provide folio no., name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), and AADHAR (self-attested scanned copy of Aadhar card), and communication details by email to cs@kifs.co.in. Members may write to RTA of the company on the email id ahmedabad@linkintime.co.in.

ii) In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), name, client master or copy of consolidated account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar card) to cs@kifs.co.in.

### 23. THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1.) The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

ii) Only those members / shareholders, who will be present in the AGM through VC / OAVM facility and have not casted their vote on the resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.

iii) Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

iv) The details of the person who may be contacted for any grievances connected with the facility for e-voting on the day of the AGM shall be the same person mentioned for remote e-voting.

## GENERAL INFORMATION

24. Members are requested to note that pursuant to the provisions of section 124 of the Companies Act, 2013, the amount of dividend unclaimed or unpaid for a period of 7 years from the date of transfer to unpaid dividend account, shall be transferred to the investor education & protection fund (IEPF) set up by government of India

and no claim shall lie against the company after the transfer of unpaid or unclaimed dividend amount to the government.

The members are also requested to note that all shares on which dividend remains unclaimed for seven consecutive years or more shall be transferred to the IEPF account in compliance with section 124 of the Companies Act, 2013 and the applicable rules. In view of this, members are requested to claim their dividends from the company, within the stipulated timeline. The members, whose unclaimed dividends shares have been transferred to IEPF, may claim the same by making an application to the IEPF authority after complying with the procedure prescribed under the IEPF rules.

25. Details as per regulation 36(3) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 in respect of the directors seeking appointment / re-appointment at the AGM, forms integral part of the notice. Other details as required under secretarial standard – 2 are included in the corporate governance report, which forms part of the annual report. The directors have furnished the requisite consents / declarations for their appointment / re-appointment.
26. The members, who still hold share certificates in physical form, are advised to dematerialize their shareholding to avail the benefits of dematerialization, which includes easy liquidity since the trading is permitted in dematerialized form only, electronic transfer, savings in stamp duty and elimination of possibility of loss of documents and bad deliveries.
27. As per the provisions of section 72 of the Act, the facility for making nomination is available for the members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting form no. SH-13. Members are requested to submit these details to their DP in case the shares are held by them in electronic form, and to the RTA Link Intime India Private Limited at ahmedabad@linkintime.co.in, in case the shares are held in physical form.
28. The company has appointed Mr. Jayendra Kanaiyalal Bhavsar, proprietor of M/s. J. Bhavsar & Associates, practicing company secretaries, Ahmedabad (ICSI membership no.: 8004, certificate of practice no.: 6046), who in the opinion of the board is a duly qualified person to scrutinize the voting processes in a fair and transparent manner.
29. The scrutinizer shall, immediately after the conclusion of voting at the annual general meeting, count votes cast at the meeting, thereafter unblock votes cast through remote e-voting in presence of at least two witnesses not in employment of the company and present a consolidated scrutinizers' report of the total votes cast in favour or against, if any, to the chairman or a person authorized by him in writing who shall countersign the same.
30. The results declared along with the scrutinizer's report shall be placed on the company's website www.kifsfinance.com and on the website of NSDL and shall be communicated to the stock exchange within the time prescribed by the law.
31. The resolution shall be deemed to be passed on the date of the annual general meeting, subject to the same being with requisite majority.

## **PROCEDURE FOR INSPECTION OF DOCUMENTS**

32. All the documents referred to in the accompanying notice and explanatory statements, shall be available for inspection through electronic mode, for which the request required to be sent on and before Thursday, September 24, 2020.
33. The register of directors and key managerial personnel and their shareholding, maintained under section 170 of the Act, and the register of contracts or arrangements in which the directors are interested, maintained under section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the notice will also be available for electronic inspection without any fee by the members from the date of circulation of this notice up to Thursday, September 24, 2020. Members seeking to inspect such documents can send an email to cs@kifs.co.in.

## Explanatory statement

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### Explanatory statement pursuant to section 102 of the Companies Act, 2013

**(including additional information on director(s) recommended for appointment / re-appointment as required under regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable Secretarial Standard)**

#### In respect of item no. 3

#### Mr. Rajesh P. Khandwala

##### Brief resume and nature of expertise

Mr. Rajesh P. Khandwala, executive chairman and managing director of the company, holding DIN: 00477673 aged around 56 years is a commerce graduate having experience of over two and half decades in the capital market activities. Mr. Khandwala is well versed in the field of primary market, secondary market, mutual funds and arbitrage operations. He is keenly engaged in to the business development and controls key strategic aspects of the business at Ahmedabad, Gujarat, India.

The re-appointment of Mr. Rajesh P. Khandwala is being proposed in terms of provisions of section 152(6) of the Companies Act, 2013 i.e. appointment of director(s) in place of director(s) retiring by rotation.

##### Discloser of relationships between directors inter-se

Mr. Rajesh P. Khandwala is husband of Mrs. Sonal P. Khandwala.

##### Details of other directorships, membership / chairmanships of committees of other board as on March 31, 2020

**Directorships:** KIFS Motors Private Limited  
KIFS Housing Finance Limited  
KIFS Trade Capital Private Limited  
Khandwala Commercial Private Limited  
Amoureux Enterprise Private Limited  
Endroit Enterprise Private Limited

##### Chairmanships / memberships of committee(s) of other board:

**Chairmanships:** nil

**Memberships:** Asset and liability management committee (KIFS Housing Finance Limited)  
Nomination and remuneration committee (KIFS Housing Finance Limited)  
Investment committee (KIFS Housing Finance Limited)  
Corporate social responsibility committee (KIFS Housing Finance Limited)

##### Shareholding in the company as on March 31, 2020

Nil

##### No. of board meetings attended during the financial year 2019-20

Mr. Rajesh P. Khandwala has attended all the four board meetings held during the financial year 2019-20 details of which have been provided in the corporate governance report forming part of this annual report.

Except Mr. Rajesh P. Khandwala being the proposed appointee and his relative directors in general, none of the directors, key managerial personnel and relatives of the directors / key managerial personnel of the company is interested in the proposed resolution. The board recommends the resolution in relation to re-appointment (by way of appointment of director(s) retiring by rotation) of Mr. Rajesh P. Khandwala, as a director, for the approval by shareholders of the company.

## In respect of item no. 4

### Appointment of Mr. Sharvil B. Suthar (DIN: 08785030) as an independent director

The board of directors of the company at its meeting held on June 29, 2020, upon recommendation made by the nomination and remuneration committee, appointed Mr. Sharvil Suthar as an additional independent director of the company for a period of five consecutive years from the date of such appointment at board meeting, subject to consent by the members of the company at the ensuing annual general meeting (AGM), and Mr. Suthar shall not be liable to retire by rotation.

As additional director, Mr. Suthar holds the office of independent director from the date of his appointment till the date of ensuing annual general meeting or due date thereof. The company has received notice pursuant to the provisions of section 160 of the Companies Act, 2013 (“the Act”) from a member signifying his / her / its / their intention to propose the appointment of Mr. Sharvil Suthar as independent director of the company.

The company has also received a declaration from Mr. Sharvil Suthar confirming that he meets the criteria of independence as prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and that he is also not disqualified from being appointed as director in terms of section 164 of the Companies Act, 2013 and have given his consent to act as a director of the company.

In the opinion of the board, Mr. Sharvil Suthar fulfills the conditions for his appointment as an independent director as specified in the Act and the listing regulations and he is independent to the management and the company.

Pursuant to regulation 36(3) of the listing regulations and secretarial standard on general meetings, information of the directors proposed for appointment / re-appointment is given below:

### Brief resume and nature of expertise

Qualifications: CS, LL.B., B. Com.

Post qualification experience (CS): 4+ years

Age: 28 years

Mr. Sharvil Suthar is a graduate and an associate member of the Institute of Company Secretaries of India (ICSI) with 4 years standing in the profession. Mr. Suthar has wide experience in the field of company law and pleading, drafting and appearance in the matter of National Company Law Tribunal (NCLT), conducting board and committee meetings of listed companies. Mr. Suthar had started his career as an assistant general manager – secretarial & legal at Asian Granito India Limited (AGL Tiles) Ahmedabad based listed company in November, 2014. Thereafter, he was also associated with Aarvee Denims and Exports Limited, Ahmedabad from September, 2016 to March, 2018 as group company secretary & insurance manager.

In April 2018, Mr. Suthar co-founded Suthar & Surti, Company Secretaries, to pursue his carrier in practice. He has also cleared online proficiency self-assessment test for independent directors with lifetime membership.

### Discloser of relationships between directors inter-se

Mr. Sharvil Suthar is independent to the company and its directors.

### Details of other directorships, membership / chairmanships of committees of other board as on March 31, 2020

**Directorships:** nil

#### Chairmanships / memberships of committee(s) of other board:

**Chairmanships:** nil

**Memberships:** nil

(only statutory committees of board of directors have been taken into consideration)

### Shareholding in the company as on March 31, 2020

Nil

**No. of board meetings attended during the financial year 2019-20**

Not applicable for the financial year 2019-20 as appointed w.e.f. June 29, 2020.

The above qualification and expertise of Mr. Sharvil Suthar shall be considered as justification for choosing him as an independent director. Except Mr. Sharvil Suthar being the proposed appointee, none of the directors, key managerial personnel and relatives of the directors / key managerial personnel of the company is interested in the proposed resolution.

It is in the company's interest that it should avail his services as member of the board. Accordingly, the board recommends the resolution in relation to appointment of Mr. Sharvil Suthar, as an independent director, for the approval by shareholders of the company.

**Registered & corporate office**

B – 81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380006, Gujarat, India.  
CIN: L67990GJ1995PLCo25234,  
Ph. no.: +91 79 26400140, 740,  
Fax: +91 79 26403717,  
Email: cs@kifs.co.in,  
Website: www.kifsfinance.com

By order of board of directors  
For **KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

## Directors' report

Dear members,

Your directors have pleasure in presenting the 25<sup>th</sup> annual report on the business and operations of the company together with the audited financial statement for the financial year ended on March 31, 2020.

### 1. Financial summary

(₹ in lakhs except EPS)

Particulars	2019-20	2018-19
<b>Revenue from operations</b>	<b>1,559.34</b>	<b>589.41</b>
Other income	0.24	0.51
Total income	1,559.58	589.92
<b>Total expenditure</b>	<b>1,032.24</b>	<b>186.06</b>
Profit / (loss) before exceptional items & provision for tax	527.35	403.86
Exceptional items	-	-
Profit / (loss) before tax	527.35	403.86
Tax expenses	133.44	121.44
<b>Net profit</b>	<b>393.91</b>	<b>282.41</b>
EPS – basic & diluted (₹)	3.64	2.61

### 2. State of company's affairs

During the financial year under report, total income of the company stands to ₹ 1,559.58 lakhs comprised of ₹ 1,559.34 lakhs as revenue from operations and ₹ 0.24 lakhs as other income as compared to ₹ 589.92 lakhs comprised of ₹ 589.41 lakhs as revenue from operations and ₹ 0.51 lakhs as other income generated during the previous financial year. The revenue from operations has shown growth of 164.56% in compare to previous financial year. Profit before interest, depreciation and tax also stands at ₹ 1,485.67 lakhs as compared to ₹ 524.94 lakhs in the financial year ended on March 31, 2019. Net profit after tax has also been increased to ₹ 393.91 lakhs as compared to ₹ 282.41 lakhs for the financial year 2018-19 showing growth of 39.48%. The net profit margin remains at 25.26% for the financial year under report.

The detailed analysis as to review of company's operational and financial performance is given in the management discussion and analysis report.

### 3. Dividend

Your directors propose to recommend final dividend for the financial year 2019-20 at a higher rate of ₹ 1.25 (one rupee and twenty five paise only) (12.50%) per equity share of ₹ 10/- (rupees ten only) each as compared to ₹ 1.00 (one rupee only) (10.00%) per equity share of ₹ 10/- (rupees ten only) each for the financial year ended on March 31, 2019.

Further, the payment of dividend is subject to the approval of shareholders in the ensuing annual general meeting of the company. The dividend, if declared at the ensuing annual general meeting, will be paid to those shareholders whose names appear in the register of members as on the record date. The amount of final dividend will be ₹ 135.23 lakhs.

### 4. Transfer to reserves

The company proposes to transfer ₹ 74.74 lakhs to the special reserve out of amount available for appropriations and an amount of ₹ 1,081.02 lakhs is proposed to be retained in the statement of profit and loss.

### 5. Deposits

During the financial year ended on March 31, 2020, the company has not accepted any deposits from the public within the meaning of the provisions of applicable directions and notifications issued by the Reserve Bank of India in this respect.

Further, being a non-deposit taking non-banking financial company, the disclosures with respect to deposits, required as per rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with the Companies (Acceptance of Deposits) Rules, 2014 and section 73 of the Companies Act, 2013 are not applicable to it.

## 6. Share capital

During the financial year under report, the company has neither made any issue of equity shares with differential voting rights, sweat equity shares or under employee stock options scheme nor it has made any provision of money for purchase of its own shares by employees or by trustees for the benefit of employees.

As on March 31, 2020, the authorized share capital of the company stands at ₹ 11,00,00,000/- consisting of 1,10,00,000 no. of equity shares of ₹ 10/- each and issued, subscribed and paid up share capital of the company stands at ₹ 10,81,80,000/- consisting of 1,08,18,000 no. of equity shares of ₹ 10/- each fully paid-up.

## 7. Details of subsidiary / joint venture / associate companies

The company doesn't have any subsidiary, joint venture or associate company.

## 8. Directors and key managerial personnel (KMP)

### Director retiring by rotation

Pursuant to the provisions of section 152 of the Companies Act, 2013 and in accordance with the articles of association of the company, Mr. Rajesh P. Khandwala, managing director of the company, retires by rotation at the ensuing annual general meeting and being eligible offers himself for re-appointment. The board of directors of the company recommends his re-appointment.

### Appointment of directors

At the board meeting held on June 29, 2020, the board appointed Mr. Sharvil Suthar (a practicing company secretary) as an independent director of the company to hold the office for a period of 5 years.

### Independent directors

In terms of the definition of the independent director as prescribed under regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 149(6) of the Companies Act, 2013, Mr. Devang M. Shah, Mr. Dharmendra N. Soni and Mr. Sharvil B. Suthar have been appointed as non executive independent directors on the board of the company.

The independent directors have submitted the declaration, confirming that they meet the criteria of independence as prescribed under both the provisions of the relevant laws. Further, the independent directors have complied with the code for independent directors prescribed in schedule IV of the Companies Act, 2013 and code of conduct prescribed for the directors, management and senior managerial personnel.

Further, a separate meeting of independent directors of the company was held on February 24, 2020 in accordance with the provisions of clause VII of the schedule IV of the Companies Act, 2013.

All the independent directors of the company have completed their registration on the independent directors' data bank within the timeline stipulated by the law. Also the requisite independent director(s) have cleared the proficiency self-assessment test or are not required to do so based on the relaxation provided therein.

Also the board of directors of the company opines that during the year the integrity, expertise and experience (including proficiency) of the independent directors are satisfactory to the company's requirements. The independent directors are proficient in the field as specified in point II(h) of the corporate governance report attached herewith.

### Woman director

Pursuant to the provisions of section 149 of the Companies Act, 2013 and regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mrs. Sonal R. Khandwala holds position of a non executive woman director of the company.

All of the directors of the company have confirmed that they are not disqualified under provisions of section 164 of the Companies Act, 2013 from being appointed / continue to hold position of directors of the company.

### Key managerial personnel

Pursuant to the provisions of section 203 of the Companies Act, 2013, Mr. Rajesh P. Khandwala holds position of managing director, Mr. Durgesh D. Soni holds position of company secretary and Mr. Bhavik J. Shah holds the position of chief financial officer of the company.

## Remuneration policy

The company follows a policy on remuneration of directors and senior management employees. The policy has been approved both by the nomination & remuneration committee and the board of directors. More details on the same have been given in the corporate governance report.

The policy on remuneration of directors, key managerial personnel and senior employees can be accessed on website of the company at following web link:

<http://kifsfinance.com/wp-content/uploads/2015/02/Nomination-Remuneration-policy-KIFS.pdf>

### 9. Number of meetings of the board of directors

The board of directors met four times during the financial year under report, the details of which have been given in the corporate governance report. The intervening gap between any two board meetings did not exceed 120 days, as prescribed under the provisions of the law(s), except where relaxation provided by the appropriate authorities.

### 10. Committees of the board

At present, the company has four committees viz. audit committee, nomination and remuneration committee, stakeholders' relationship committee and risk management committee which have been established as a part of the better corporate governance practices and are in compliance with the requirements of the relevant provisions of the applicable laws and statutes.

Apart from the above statutory committees, the company also has a managing committee of the board of directors to look after the routine day to day affairs of the company.

The details with respect to the compositions, terms of reference, scope and powers, roles, meetings etc. of the relevant committees are given in detail in the corporate governance report forming part of this annual report.

### 11. Corporate social responsibility

During the financial year under report, your company did not meet the criteria laid down under the provisions of section 135(1) of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and accordingly the provisions including but not limited upto constitution of corporate social responsibility committee and formulation / implementation of a policy on corporate social responsibility are not applicable to the company.

### 12. Performance evaluation of the board

In accordance with the provisions of regulation 17(10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and schedule IV of the Companies Act, 2013, evaluation of performance of independent directors by the non independent directors and review of performance of non independent directors and the board as a whole by the independent directors was made during the financial year under report. The directors were satisfied with the evaluation results, which reflected an overall engagement of the board and its committees with the company. This may be considered as a statement under provisions of section 134(3)(p) of the Companies Act, 2013 and rule 8(4) of the Companies (Accounts) Rules, 2014.

More details on the evaluation mechanism are given in the corporate governance report.

### 13. Vigil mechanism / whistle blower policy

The company promotes ethical behavior in all its business activities and has put in place a mechanism wherein the employees are free to report illegal or unethical behavior, actual or suspected fraud or violation of the company's codes of conduct or corporate governance policies, raise concerns against management and business practices, incorrect or misrepresentation of any financial statements and reports or any improper activity being negative in nature to the chairman of the audit committee of the company or chairman of the board. The whistle blower policy has been appropriately communicated within the company.

Under the whistle blower policy, the confidentiality of those reporting violation(s) is protected and they are not subject to any discriminatory practices. No personnel have been denied access to the audit committee. The functioning of the vigil mechanism is reviewed by the audit committee from time to time. The vigil mechanism / whistle blower policy has been uploaded on website of the company and can be accessed at following web link:

<http://kifsfinance.com/wp-content/uploads/2016/06/KIFS-FINANCIAL-Whistle-blower-policy-2016.pdf>



**14. Statement of development & implementation of risk management policy**

The company has developed and implemented a risk management policy to meet the risks associated with the business of the company. Business risk evaluation and management is an ongoing process within the company. The assessment is periodically examined by the risk management committee of the board. The company, while giving loan to its customers, follows the criteria and procedure laid down in policy and the credibility of the clients.

**15. Loans / guarantees or investment in securities**

Being a non banking financial company pursuing loan business in its ordinary course of business, the disclosures relating to the details of loans made, guarantees given, securities provided or subscription / acquisition of securities, pursuant to the provisions of section 186(11) of the Companies Act, 2013 and rule 11 of the Companies (Meetings of Board and its Powers) Rules, 2014 are not required to be given. Details of loans as financial assets are given in note no. 6 of the notes to the financial statements of the company.

**16. Contracts or arrangements with related parties**

All related party transactions that were entered during the financial year under report were in the ordinary course of business of the company and were on arm's length basis. There were no materially significant related party transactions entered by the company with its promoters, directors, key managerial personnel or other persons, which may have a potential conflict with the interest of the company. All such related party transactions are being quarterly placed before the audit committee for its review. Omnibus approval has been obtained from the audit committee, board of directors and shareholders of the company for all the related party transactions (including transactions which are foreseen and repetitive in nature).

Since no material related party transactions were entered by the company and all the transactions entered into by the company with its related parties were in the ordinary course of business and on arm's length basis, disclosure in the form AOC-2 is not being given.

The policy on related party transactions as approved by the board has been uploaded on the company's website at the web link:

<http://kifsfinance.com/wp-content/uploads/2015/02/RPT-Policy-KIFS.pdf>

**17. Internal financial control systems and their adequacy**

The company has internal control systems, commensurate with the size, scale and complexity of its operations. Your company has laid down set of standards, processes and structure which enable it to implement internal financial control systems across the organization and ensure that the same are adequate and operating effectively. Internal financial control systems of the company provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliance with regulations and for ensuring reliability of financial reporting.

**18. Extract of annual return**

Pursuant to the provisions of section 134(3)(a) and section 92(3) of the Companies Act, 2013 read with rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the annual return as at March 31, 2020, in the form MGT – 9 is enclosed herewith as **Annexure – 1**.

**19. Disclosure as per the rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

The details as per rule 5(1) and 5(2) of the aforesaid rules are enclosed herewith as **Annexure – 2**.

**20. Auditors****Statutory auditors**

The shareholders of the company at their 22<sup>nd</sup> annual general meeting held on Friday, September 22, 2017, appointed M/s. Bimal Shah Associates, chartered accountants, Ahmedabad as statutory auditors of the company for a period of 5 years i.e. upto conclusion of 27<sup>th</sup> annual general meeting of the company.

The said appointment of statutory auditors has been made in accordance with the provisions of rule 6 of the Companies (Audit and Auditors) Rules, 2014 i.e. manner of rotation of auditors by the companies on expiry of their term.

In accordance with the provisions of the Companies (Amendment) Act, 2017, requirement of placing the matter of ratification of appointment of statutory auditors at every annual general meeting has been omitted.

Further, the company, being engaged in the financial service activities, is not required to maintain cost records under the provisions of section 148 of the Companies Act, 2013.

### Secretarial auditors

Pursuant to the provisions of section 204 of the Companies Act, 2013 and rules framed thereunder, the board has re-appointed the existing secretarial auditors of the company, M/s. Anamika Jajoo & Co., practicing company secretary, Ahmedabad for conducting the secretarial audit for the financial year ending on March 31, 2021.

Secretarial audit report issued by the secretarial auditor of the company for the financial year ended on March 31, 2020 is attached to the directors' report as **Annexure – 3**. Further, the company has complied with the secretarial standards to the extent applicable to the company.

### Explanations or comments by the board on qualification / reservation / adverse remark or disclaimer made by the statutory auditors in their audit report and by the secretarial auditor in her secretarial audit report

Both the statutory auditors' report and secretarial audit report are self explanatory and no comment from the board of directors of the company is required as no qualification, reservation or adverse remark or disclaimer is given by any of the auditors of the company.

### Internal auditors

In accordance with the provisions of section 138 of the Companies Act, 2013 and rules framed thereunder, your company has appointed M/s. SMPK & Associates LLP, Ahmedabad, as the internal auditors of the company in the board meeting held on June 29, 2020 to conduct the internal audit of the functions and activities of the company for the financial year ending on March 31, 2021.

### 21. Impact of COVID-19

The company deals in single business segment of providing loan against securities and IPO funding. As such, it didn't face any material impact on its business operations since Indian stock markets were remained open and functioned in usual manner. Due to overall lack luster primary market, it did not create any impact on pre or post COVID-19 for IPO funding. No customers of the company have demanded for any moratorium and accordingly the company continues to avail benefit of interest on loans and advances already granted, during lockdown period and accordingly the company doesn't see any major impact on its profitability, liquidity and resources. Moreover, the company has adopted work from home policy in accordance with applicable governmental and regulator's guidelines and accordingly no operations of the company were required to be shut down for any period.

### 22. Credit rating

The CARE Ratings Limited has vide its letter dated May 31, 2019, provided the credit rating to the company as given below:

Facilities	Amount (₹ Crore)	Rating	
		ICRA (old)	CARE (revised)
Long-term / short-term bank facilities (over draft against fixed deposits)	25.00	ICRA BBB+ (stable)	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two)
<b>Total facilities</b>	<b>25.00 (Rupees Twenty Five Crores Only)</b>		

However, as the company is no longer utilizing the said credit facilities, it has, during financial year 2020-21, made a request to CARE Ratings Limited for withdrawal of such rating facility.

### 23. Investor education and protection fund (IEPF)

During the financial year under report i.e. 2019-20, the company has transferred ₹ 2,70,125/-, the unclaimed and unpaid dividend amount for the financial year 2011-12 to the investor education and protection fund. Moreover, 4,780 number of equity shares were also transferred to the IEPF corresponding to the unpaid dividend remained unclaimed and unpaid for seven consecutive years. The cumulative shares transferred to the IEPF stands at 1,66,180 equity shares of ₹ 10/- each as on March 31, 2020.

Further the details as on March 31, 2020 for unclaimed / unpaid dividend lying in the unpaid account and the corresponding shares, which are liable to be transferred to the IEPF are as follows:

Sr. no.	Financial year	Type of dividend	Unclaimed / unpaid dividend (₹)	Corresponding number of equity shares	Due date of transfer to IEPF
1	2012-13	Final dividend	1,60,994.50	3,21,989	September 7, 2020
2	2013-14	Final dividend	1,16,972.50	2,33,945	October 5, 2021
3	2014-15	Final dividend	1,27,507.50	2,55,015	October 4, 2022
4	2015-16	Final dividend	1,52,140.50	2,02,854	September 24, 2023
5	2016-17	Final dividend	1,76,350.50	1,95,945	October 28, 2024
6	2017-18	Final dividend	39,907.80	44,342	October 27, 2025
7	2018-19	Final dividend	21,633.00	21,633	November 2, 2026

#### 24. Material changes and commitments affecting financial position of the company

There are no material changes and commitments, affecting the financial position of the company which have been occurred between the end of the financial year i.e. March 31, 2020 and the date of signing of the directors' report i.e. June 29, 2020 except the effect of global pandemic i.e. COVID-19 details of which are given already above in this report. Further, no significant or material orders have been passed by the regulators or courts or tribunals impacting the going concern status of the company and / or the company's operations in future.

#### 25. Remuneration given to the managing director

The managing director of the company, Mr. Rajesh P. Khandwala also occupies the office of the managing director in KIFS Housing Finance Limited, a group company to the Khandwala group. Mr. Khandwala was paid remuneration to the tune of ₹ 6,00,000/- (rupees six lakhs only) from your company during and for the financial year ended on March 31, 2020. The company does not have any subsidiary company.

The material terms and conditions of re-appointment and remuneration of Mr. Khandwala are enumerated in the explanatory statement annexed to the notice of 22<sup>nd</sup> annual general meeting of the company.

#### 26. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

A policy under the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been laid down and circulated to every employee of the company so as to inform them about the redressal mechanism available to them against any kind of harassment. Your directors state that during the financial year under report, there were no cases filed or complaint received from any employee pertaining to the sexual harassment.

A policy framed and adopted by the board of directors of the company on prevention of sexual harassment is uploaded on the company website at below web link:

<http://kifsfinance.com/wp-content/uploads/2016/09/SEXUAL-HARASSMENT-POLICY.pdf>

#### 27. Listing

Presently, the equity shares of your company are listed at the Bombay Stock Exchange Limited (BSE) (scrip code: 535566). The company's equity shares are available for trading in demat form by all the investors on BSE which is having nation-wide trading terminals in various cities affording to the investors convenient access to trade and deal in the company's equity shares across the country.

The company is regular in complying with the requirements of the listing agreement / regulations and has duly paid the requisite listing fees to the BSE.

#### 28. Code of conduct

The board has laid down a code of conduct ("code") for board members, managerial personnel and for senior management employees of the company. This code has been posted on the company's website at <http://kifsfinance.com/code-of-conduct-policy/>. All the board members and senior management personnel have affirmed compliance with this code. A declaration by the managing director to this effect forms part of the corporate governance report.

The board has also laid down a code of conduct for independent directors pursuant to section 149(8) and schedule IV to the Companies Act, 2013 via terms and conditions for appointment of independent directors, which is a guide to professional conduct for independent directors and has been uploaded on the website of the company at following web link:

<http://kifsfinance.com/wp-content/uploads/2013/03/Terms-of-appointment-of-Independent-Directors.pdf>

### 29. Corporate governance

Your company practices a culture that is built on core values and ethical governance practices and is committed to transparency in all its dealings. A report on corporate governance along with a certificate from statutory auditors of the company regarding compliance of conditions of corporate governance, as stipulated under provisions of regulation 34(3) and schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to this report.

### 30. Management discussion and analysis report

A detailed analysis of the company's performance is made in the management discussion and analysis report, which forms part of this annual report.

### 31. Compliance with the Reserve Bank of India guidelines

The company being a non banking financial company categorized as a loan company continues to comply with all the applicable regulations, directions and guidelines issued by the Reserve Bank of India from time to time.

### 32. Particulars regarding conservation of energy, technology absorption and foreign exchange earnings and outgo

The disclosures required to be made under section 134(3)(m) of the Companies Act, 2013 read with rule (8)(3) of the Companies (Accounts) Rules, 2014 pertaining to the conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the company as the company being a non banking financial company, is neither involved in any manufacturing, processing activities nor any of its transactions involves foreign exchange earnings and outgo.

### 33. Directors' responsibility statement

Pursuant to the provisions of section 134(3)(c) of the Companies Act, 2013, your directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the financial year ended on March 31, 2020 and of the profit and loss of the company for that period;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **34. Acknowledgement**

Your directors take this opportunity to express their deep and sincere gratitude to the clients, customers, employees, shareholders and other stakeholders of the company for their trust and patronage, as well as to the various bankers, Reserve Bank of India, Securities and Exchange Board of India, Bombay Stock Exchange, Government of India and other regulatory authorities for their continued co-operation, support and guidance.

For and on behalf of the board of directors  
**KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

## Annexure – 1

### Form no. MGT-9

Extract of annual return

as on the financial year ended on March 31, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. Registration and other details

1	CIN	L67990GJ1995PLC025234
2	Registration date	March 29, 1995
3	Name of the company	KIFS Financial Services Limited
4	Category / sub-category of the company	(Non government public company limited by shares) Non banking financial company
5	Address of the registered office and contact details	B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India. Ph. no.: +91 79 26400140, 740, Fax: +91 79 26403717, Email: cs@kifs.co.in, Website: www.kifsfinance.com
6	Whether listed company yes / no	Yes, Listed at Bombay Stock Exchange (scrip code: 535566)
7	Name, address and contact details of registrar and transfer agent, if any	Link Intime India Private Limited 506-508, Amarnath Business Center – 1, Besides Gala Business Center, Nr. St. Xavier's College Corner, Off C. G. Road, Navrangpura, Ahmedabad – 380009, Gujarat, India. Ph. no.: +91 79 26465179, 86, 87, Fax: +91 79 26465179, Email: ahmedabad@linkintime.co.in, Website: www.linkintime.co.in

#### II. Principal business activities of the company

All the business activities contributing 10 % or more of the total turnover of the company are given below:

Sr. no.	Name and description of main products / services	NIC code of the product / service	% to total turnover of the company
1	Interest income (IPO retail funding and loan against shares & securities)	64,990	98.44%

NIC code - 2008

#### III. Particulars of holding, subsidiary and associate companies

Sr. no.	Name and address of the company	CIN / GLN	Holding / subsidiary / associate	% of shares held	Applicable section
1	Khandwala Commercial Private Limited	U74120DN1995PTC005506	Holding company	74.41%	2(46)



Category of share holders	No. of shares held at beginning of the financial year - April 1, 2019				No. of shares held at end of the financial year - March 31, 2020				% change during the financial year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>2. Non-institution</b>									
a. Body corporate	5,07,883	-	5,07,883	4.69%	5,07,602	-	5,07,602	4.69%	-
<b>b. Individual</b>									
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	1,84,682	51,560	2,36,242	2.18%	1,91,378	46,020	2,37,398	2.19%	0.01%
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	16,41,352	13,860	16,55,212	15.30%	18,17,318	13,860	18,31,178	16.93%	1.63%
<b>c. Others</b>									
i. Clearing member	1,553	-	1,553	0.01%	3	-	3	0.00%	(0.01%)
ii. NRI	1	-	1	0.00%	1	-	1	0.00%	-
iii. HUF	2,05,709	-	2,05,709	1.90%	25,538	-	25,538	0.24%	(1.67%)
iv. IEPF	1,61,400	-	1,61,400	1.49%	1,66,180	-	1,66,180	1.54%	0.04%
v. Trusts	-	-	-	-	100	-	100	0.00%	-
<b>Sub-total-B-(2)</b>	<b>27,02,580</b>	<b>65,420</b>	<b>27,68,000</b>	<b>25.59%</b>	<b>27,08,120</b>	<b>59,880</b>	<b>27,68,000</b>	<b>25.59%</b>	<b>-</b>
<b>Net total (i+2)</b>	<b>27,02,580</b>	<b>65,420</b>	<b>27,68,000</b>	<b>25.59%</b>	<b>27,08,120</b>	<b>59,880</b>	<b>27,68,000</b>	<b>25.59%</b>	<b>-</b>
<b>C. Shares held by custodian for GDRs &amp; ADRs</b>									
a. Promoter and promoter group	-	-	-	-	-	-	-	-	-
b. Public	-	-	-	-	-	-	-	-	-
<b>Sub-total-C</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand total (A+B+C)</b>	<b>1,07,52,580</b>	<b>65,420</b>	<b>1,08,18,000</b>	<b>100.00%</b>	<b>1,07,58,120</b>	<b>59,880</b>	<b>1,08,18,000</b>	<b>100.00%</b>	<b>-</b>



**ii. Shareholding of promoters**

Sr. no.	Shareholder's name	Shareholding at beginning of the financial year – April 1, 2019			Shareholding at end of the financial year – March 31, 2020			% change in shareholding during the financial year
		No. of shares	% of total shares of the company	% of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged / encumbered to total shares	
1	Khandwala Commercial Private Limited	80,50,000	74.41%	-	80,50,000	74.41%	-	-
	<b>Total</b>	<b>80,50,000</b>	<b>74.41%</b>	<b>-</b>	<b>80,50,000</b>	<b>74.41%</b>	<b>-</b>	<b>-</b>

**iii. Change in promoters shareholding**

Sr. no.	Name of the shareholder	Shareholding at beginning of the financial year – April 1, 2019		Cumulative shareholding during the year	
		No. of shares	% of total share capital of the company	No. of shares	% of total share capital of the company
1	Khandwala Commercial Private Limited				
	at beginning of the year	80,50,000	74.41%	80,50,000	74.41%
	at end of the year			80,50,000	74.41%

**iv. Shareholding pattern of top 10 shareholders (other than directors, promoters and holders of GDRs and ADRs)**

Sr. no.	Name of the shareholder	Shareholding at beginning of the financial year – April 1, 2018		Cumulative shareholding during the year	
		No. of shares	% of total share capital of the company	No. of shares	% of total share capital of the company
1	Affluence Shares and Stocks Private Limited				
	at beginning of the year	5,01,240	4.63%	5,01,240	4.63%
	at end of the year			5,01,240	4.63%
2	Rina Sandeep Shah				
	at beginning of the year	5,00,000	4.62%	5,00,000	4.62%
	at end of the year			5,00,000	4.62%
3	Tejas Rohitkumar Shah jt. Vibhuti Tejas Shah				
	at beginning of the year	2,61,180	2.41%	2,61,180	2.41%
	at end of the year			2,61,180	2.41%
4	Anjana Rajesh Vora				
	at beginning of the year	2,15,000	1.99%	2,15,000	1.99%
	at end of the year			2,15,000	1.99%
5	Sanjay C. Agrawal				
	at beginning of the year	2,15,000	1.99%	2,15,000	1.99%
	at end of the year			2,15,000	1.99%
6	Kaminiben R. Patel				
	at beginning of the year	-	-	-	-
	transferred on September 20, 2019	1,76,120	1.63%	1,76,120	1.63%

Sr. no.	Name of the shareholder	Shareholding at beginning of the financial year – April 1, 2018		Cumulative shareholding during the year	
		No. of shares	% of total share capital of the company	No. of shares	% of total share capital of the company
	at end of the year			1,76,120	1.63%
7	IPEF Authority (MCA)				
	at beginning of the year	1,61,400	1.49%	1,61,400	1.49%
	transferred on November 22, 2019	4,780	0.04%	1,66,180	1.54%
	at end of the year			1,66,180	1.54%
8	Kishor Pranjiwandas Mandaliya				
	at beginning of the year	1,15,000	1.06%	1,15,000	1.06%
	at end of the year			1,15,000	1.06%
9	Janmajay Virendra Gandhi				
	at beginning of the year	1,09,000	1.01%	1,09,000	1.01%
	at end of the year			1,09,000	1.01%
10	Mandalia Vipulkumar Zaverilal				
	at beginning of the year	1,00,000	0.92%	1,00,000	0.92%
	at end of the year			1,00,000	0.92%
11	Rajiv G. Patel				
	at beginning of the year	1,76,120	1.63%	1,76,120	1.63%
	transferred on September 20, 2019	(1,76,120)	(1.63%)	-	-
	at end of the year			-	-

#### v. Shareholding of directors and key managerial personnel

Sr. no.	Name of the director / key managerial personnel	Shareholding at beginning of the financial year – April 1, 2019		Cumulative shareholding during the year	
		No. of shares	% of total share capital of the company	No. of shares	% of total share capital of the company
1	Rajesh P. Khandwala				
	at beginning of the year	-	-	-	-
	at end of the year			-	-
2	Sonal R. Khandwala				
	at beginning of the year	-	-	-	-
	at end of the year			-	-
3	Devang M. Shah				
	at beginning of the year	-	-	-	-
	at end of the year			-	-
4	Dharmendra N. Soni				
	at beginning of the year	180	0.002%	180	0.002%
	at end of the year			180	0.002%
5	Bhavik J. Shah				
	at beginning of the year	-	-	-	-
	at end of the year			-	-
6	Durgesh D. Soni				
	at beginning of the year	-	-	-	-
	at end of the year			-	-

**V. Indebtedness**

Indebtedness of the company including interest outstanding / accrued but not due for payment

(₹ in lakhs)

Particulars	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
<b>Indebtedness at the beginning of the financial year – April 1, 2019</b>				
1) Principal amount	86.88	6,744.30	-	<b>6,831.18</b>
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	<b>86.88</b>	<b>6,744.30</b>	-	<b>6,831.18</b>
<b>Change in indebtedness during the financial year</b>				
+ Addition	12.65	10,156.06	-	<b>10,168.71</b>
- Reduction	-	-	-	-
Net change	<b>12.65</b>	<b>10,156.06</b>	-	<b>10,168.71</b>
<b>Indebtedness at the end of the financial year – March 31, 2020</b>				
1) Principal amount	99.53	16,900.36	-	<b>16,999.89</b>
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	<b>99.53</b>	<b>16,900.36</b>	-	<b>16,999.89</b>

**VI. Remuneration of directors and key managerial personnel****A. Remuneration to managing director, whole-time directors and / or manager**

(amount in ₹)

Sr. no.	Particulars of remuneration	Mr. Rajesh P. Khandwala (Managing director)
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 (c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	6,00,000 - -
2	Stock option	-
3	Sweat equity	-
4	Commission - as % of profit - other, specify...	-
5	Others, specify...	-
	<b>Total (A)</b>	<b>6,00,000</b>
	<b>Ceiling as per the Act</b>	5% of the profit of the company calculated as per section 198 of the Companies Act, 2013: ₹ 26.67 lakhs

**B. Remuneration to other directors**

(amount in ₹)

Particulars of remuneration	Name of directors			Total amount
	Non executive director	Non executive independent directors		
		Mrs. Sonal R. Khandwala	Mr. Devang M. Shah	
Fee for attending board / committee meetings	-	40,000	30,000*	<b>70,000</b>
Commission	-	-	-	-
Others	-	-	-	-
<b>Total (B)</b>	-	<b>40,000</b>	<b>30,000*</b>	<b>70,000</b>
<b>Total managerial remuneration</b>	₹ 6,00,000/- to the managing director and ₹ 70,000/- to the non executive independent directors being sitting fees			
<b>Overall ceiling as per the Act</b>	11% of the profit of the company calculated as per section 198 of the Companies Act, 2013: ₹ 58.67 lakhs			

\* Sitting fees amounting to ₹ 40,000 was paid to Mr. Dharmendra N. Soni for the meetings attended during the year, however, there remains 10,000 pending to be withdrawn (cheque pending to be deposited) by him during the year.

**C. Remuneration to key managerial personnel other than MD / manager / WTD**

(amount in ₹)

Sr. no.	Particulars of remuneration	Key managerial personnel		Total
		Chief financial officer	Company secretary	
		Mr. Bhavik J. Shah	Mr. Durgesh D. Soni	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 (c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	4,63,320	5,11,875	9,75,195
2	Stock option	-	-	-
3	Sweat equity	-	-	-
4	Commission - as % of profit - other, specify...	-	-	-
5	Others, specify...	-	-	-
	<b>Total</b>	<b>4,63,320</b>	<b>5,11,875</b>	<b>9,75,195</b>

**VII. Penalties / punishment / compounding of offences: nil**

For and on behalf of the board of directors  
**KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

**Annexure – 2****Disclosure as per section 197(12) of the Companies Act, 2013 & rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Sr. no.	Particulars	Disclosure	
(i)	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	<b>Director's name</b>	<b>Ratio to median remuneration of the employees</b>
		Mr. Rajesh P. Khandwala - MD	1.39:1
		Mrs. Sonal R. Khandwala	Nil
		Mr. Devang M. Shah	Nil
		Mr. Dharmendra N. Soni	Nil
(ii)	Percentage increase in remuneration of each director, chief financial officer, chief executive officer, company secretary or manager, if any, in the financial year	<b>Director / CFO / CS</b>	<b>Percentage increase</b>
		Mr. Rajesh P. Khandwala - MD	Nil
		Other Directors	Nil
		Mr. Bhavik J. Shah - chief financial officer	10.00%
		Mr. Durgesh D. Soni – company secretary	24.38%
(iii)	Percentage increase in the median remuneration of employees in the financial year	10.00%	
(iv)	Number of permanent employees on the rolls of company as on March 31, 2020	7 employees	
(v)	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentage increase in the salaries of employees other than managerial personnel in the financial year was 9.04% whereas increase in managerial remuneration was nil.	
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company	The board of directors of the company affirms that the remuneration is as per the remuneration policy of the company.	

**Disclosure as per section 197(12) of the Companies Act, 2013 & rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Sr. no. in terms of remuneration	1	2	3	4	5	6	7
Name of the employee	Mr. Amit Modi	Mr. Durgesh Soni	Mr. Bhavik J. Shah	Mr. Ketan Patel	Mr. Nishit Vyas	Mr. Kiran Jani	Mrs. Juhi Giletwala
Designation of the employee	Senior accountant	Company secretary	Chief financial officer	Executive – wealth	Back office executive	Driver	Executive – wealth
Remuneration received during FY 2019-20 (in ₹)	5,75,575/-	5,11,875/-	4,63,320/-	4,31,860/-	3,05,305/-	2,64,979/-	2,28,085/-
Nature of employment	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
Qualification	B.Com	Company Secretary, M. Com. & LL. B.	B. Com., ICAI Inter & ICMAI Inter	B. Sc.	M. Com.	-	M. Com. & LL. B.
Experience	26 years	5 years	18 years	11 years	17 years	-	8 years
Date of commencement of employment	November 1, 2018	May 24, 2016	September 25, 2010	July 1, 2013	December 26, 2007	-	July 16, 2012
Age of employee (years)	49	26	48	35	37	41	28
Last employment held before joining the company	Khandwala Enterprise Private Limited	Arfin India Limited	Kunvarji Finstock Private Limited	ICICI Bank, Ahmedabad	Interface Brokerage and Research Limited	-	NA
% of equity shares held in the company	-	-	-	-	-	-	-
Whether relative of any director, if yes, name of such director	No	No	No	No	No	No	No

For and on behalf of the board of directors  
**KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

**Annexure – 3****FORM MR – 3****SECRETARIAL AUDIT REPORT**

(FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020)

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**KIFS Financial Services Limited**  
**(CIN: L67990GJ1995PLC025234)**  
B – 81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380006, Gujarat, India.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KIFS Financial Services Limited** (hereinafter called “the company”) for the audit period covering the financial year ended on March 31, 2020. Secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of company’s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that, the company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- I. The company is engaged in the business of non-banking financial institution as defined in section 45I (a) of the Reserve Bank of India Act, 1934.
- II. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company, for the financial year ended on March 31, 2020, according to the provisions of:
  - (i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
  - (ii) The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
  - (iii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
  - (iv) The Foreign Exchange Management Act, 1999 (“FEMA”) and the rules and regulations made thereunder to the extent of foreign direct investment, overseas direct investment and external commercial borrowings; and
  - (v) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”):
    - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
    - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
    - (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (h) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; and
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

I have also examined compliance of the following to the extent applicable:

- (j) The Secretarial Standards issued by the Institute of Company Secretaries of India on Meeting of Board of Directors and General Meetings.
- (k) The Listing Agreements entered into by the company with the Bombay Stock Exchange.

III. I further report that:

- (i) The company has complied with the provisions of the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder, with regard to maintenance of minimum public shareholding;
- (ii) The company has complied with the provisions of the Depositories Act, 1996 and the byelaws framed there under by the depositories with regard to dematerialization / re-materialization of securities and reconciliation of records of dematerialized securities with all securities issued by the company;
- (iii) The company has, complied with the provisions of the Companies Act, 1956, the Companies Act, 2013 and the rules made thereunder as notified by the ministry of corporate affairs and the memorandum and articles of association of the company;
- (iv) The company has complied with the requirements under the equity listing agreements entered into with the Bombay Stock Exchange Limited; and
- (v) The company has complied with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015.

IV. I further report that:

- (i) The company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the said regulations;
- (ii) The company has not introduced ESOP / ESPS schemes; therefore, it does not require to comply with the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 including the provisions with regard to disclosures and maintenance of records required under the said regulations;
- (iii) There are no FDI transactions in the company. Therefore, the company does not require complying with the relevant provisions of the FEMA, 1999 and the rules and regulations made under that FEMA Act, to the extent it is applicable;
- (iv) The company has not bought back equity shares of the company, during the period; therefore, the compliance of the provisions of the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 / 2018, as the case may be, does not arise; and
- (v) The company has not delisted any of its securities, during the period, therefore, the compliance of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; does not arise.



- V. I further report that:
- (i) The board of directors of the company is duly constituted with proper balance of executive directors, non - executive directors and independent directors;
  - (ii) Adequate notices are given to all the directors to conduct the meetings of board and its committees. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting;
  - (iii) Majority decision is considered while the dissenting members' views, if any, are captured and recorded as part of the minutes;
  - (iv) The company has obtained all necessary approvals under the various provisions of the Act;
  - (v) There was no prosecution initiated and no fines or penalties imposed during the year under review under the Act, SEBI Act, SCRA, Depositories Act, listing agreement and rules, regulations and guidelines framed under these Acts against / on the company, its directors and officers; and
  - (vi) The directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of business conduct & ethics for directors and managerial personnel.
- VI. I further report that having regard to the compliance system prevailing in the company and on examination of relevant documents and records in pursuance thereof, the company has complied with the following laws applicable specifically to the company:
- (i) The Reserve Bank of India Act, 1934 and its circulars, master circulars, notifications and directions as prescribed for NBFC companies; and
  - (ii) The Prevention of Money Laundering Act, 2002.
- VII. I further report that we have not examined compliance by the company with applicable financial laws, income tax laws, goods & service tax laws, since the same have been subject to review by statutory financial auditor and other designated professionals.
- VIII. I further report that based on the information received and the records maintained, there are adequate systems and processes in the company that commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
- IX. I further report that, during the audit period, there were no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc.

For **Anamika Jajoo & Co.**,  
Practicing company secretary

**Anamika Jajoo**  
(Proprietor)  
C. P. No.: 13859  
ACS No.: 20918

Ahmedabad, June 29, 2020  
UDIN No. A020918B000396227

**Note:** This report is to be read with our letter of even date which is annexed as **ANNEXURE – I** and forms an integral part of this report.

## Annexure-1

To,  
The Members,  
**KIFS Financial Services Limited**  
(CIN: L67990GJ1995PLC025234)  
B – 81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380006, Gujarat, India.

Our report of even date is to be read along with this letter:

- I. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- II. Due to restrictions on movement of people amid COVID-19 pandemic, we have to conduct our audit by examining documents, records, certificates, minutes, statutory registers and all other documents received through electronic mode from the company. Hence, we state that we have not visited the premises of the company and not verified the physical and original records of the company.
- III. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- IV. We have not verified the correctness and appropriateness of financial records and books of accounts of the company.
- V. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
- VI. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- VII. The secretarial audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **Anamika Jajoo & Co.**,  
Practicing company secretary

**Anamika Jajoo**  
(Proprietor)  
C. P. No.: 13859  
ACS No.: 20918

Ahmedabad, June 29, 2020  
UDIN No. A020918B000396227

## Management discussion and analysis report

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### I. Industry structure and developments

KIFS Financial Services Limited is a non deposit taking non banking financial company registered with the Reserve Bank of India under the category of loan company. The principle business of the company consists of loans against shares, IPO / FPO retail applications funding and margin trading. During the financial year ended on March 31, 2020, the company has duly surrendered its registration as an investment advisor under the SEBI (Investment Advisers) Regulations, 2013 availed vide registration no. INA000001852 during the financial year ended on March 31, 2015.

The NBFC sector has evolved considerably in terms of its size, operations, technological sophistication and entry into newer areas of financial services and products. NBFCs are now deeply interconnected with the entities in the financial sector, on both sides of their balance sheets.

Non-banking financial companies (NBFCs) form an integral part of the Indian financial system in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked segments of society, which form the cradle of entrepreneurship and innovation.

Non-banking financial companies (NBFCs) form an integral part of the Indian financial system in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked segments of society, which form the cradle of entrepreneurship and innovation. NBFCs' ground-level understanding of their customers' profile and their credit needs gives them an edge, as does their ability to innovate and customise products as per their clients' needs. Moreover, with the banking system clearly constrained in terms of expanding their lending activities, the role of NBFCs becomes even more important now, especially when the government has a strong focus on promoting entrepreneurship so that India can emerge as a country of job creators instead of being one of job seekers.

#### Navigating through COVID-19

The COVID-19 induced lockdown and social distancing measures started in March 2020 and put around 75% of the overall economic activity into standstill. It consequently hastened the downward trajectory of GDP growth in Q4FY20 to 3.1%. For FY20, India's GDP growth declined to 4.2% as compared to 6.1% in FY19.

The company deals in single business segment of providing loan against securities and IPO funding. As such, it didn't face any material impact on its business operations since Indian stock markets were remained open and functioned in usual manner. Due to overall lack luster primary market, it did not create any impact on pre or post COVID-19 for IPO funding. No customers of the company have demanded for any moratorium and accordingly the company continues to avail benefit of interest on loans and advances already granted, during lockdown period and accordingly the company doesn't see any major impact on its profitability, liquidity and resources. Moreover, the company has adopted work from home policy in accordance with applicable governmental and regulator's guidelines and accordingly no operations of the company were required to be shut down for any period.

Your company is continuously reviewing the evolving situation in the light of COVID-19 and playing a responsible role in minimizing any adverse impact of the pandemic on its businesses and the stakeholders' interests. Adapting to the 'new normal' of conducting business, your company realigned the work priorities by placing highest importance and focusing on risk controls and collections.

### II. Opportunities and threats

To carry success story forward, the organization needs to evaluate the opportunities & threats and synchronize its plans with them.

#### Opportunities

- Adoption of 'new normal' measures and policies for conducting business of the company due to any adverse impact of COVID-19
- Company's excellent customer service and strong experience and brand recognition
- Government initiatives for startups
- Robust risk management framework
- Aid by regulatory reforms for inclusion of various class of investors

- Low retail penetration of financial services / products
- Strong managerial capabilities
- Integration of various financial services in the group

### Threats

Phasing out of lockdown / social distancing measures at a slower pace coupled with relatively indifferent policy response could result in deeper recession in FY21 as compared to all ‘recessions’ India has ever experienced. Such deep recession may increase the possibility of credit risk and the consequent risk aversion could clog the credit channels. Rating agencies expect microfinance, unsecured loans and MSME borrowers (including the loans against property segment) will continue to be severely impacted for a prolonged period due to weak credit profile of borrowers amid a gradual economic recovery.

Despite the challenges in the external environment, your company sailed through the storm and delivered strong performance. This can be credited to your company’s underlying core strengths of focused businesses, ability to raise adequate resources at the right cost, asset resolution capabilities and group synergies.

The company believes to be exposed to the following type of risks:

- Short term economic slowdown impacting investor sentiments and business activities
- Slowdown in market liquidity flows
- Market fluctuations
- Execution risks and regulatory changes
- Competitions from banks and other NBFCs
- Volatility of business cycle

### III. Segment-wise / product-wise performance

The company is engaged in a single segment of finance and thus separate segment wise performance details can’t be given. As for the product wise performance, the board wishes to state that the margin funding income has been increased to ₹ 15,35,07,529/- in compare to ₹ 5,09,64,320/- for the previous financial year showing YoY growth of 201.21%. Mutual fund distribution commission income stands at ₹ 11,27,314/- and training income also stands at ₹ 12,99,614/- for the financial year ended on March 31, 2020.

### IV. Outlook

The Indian economy is growing strongly and retains a bright spot in the global landscape. India’s overall outlook remains positive. The nation’s expansion will pick up as economic reforms accelerate. The government has made significant progress on important economic reforms, which will support strong and sustainable growth going forward. Therefore, the company is optimistic about the recovery of Indian economy and the capital market. The company intends to continue focusing on capital market activities including IPO funding, incorporate lending and funding against securities.

The outlook of the company for the year ahead is to obtain profitable growth. Non banking financial companies are competing with the banks in providing financial services and have been playing a complementary role with other financial institutions in the Indian economy.

### V. Risks and concerns

The company is exposed to specific risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit and market risks. KIFS recognizes that the risks need to be managed to protect its customers, employees, shareholders and other stakeholders, to achieve its business objectives and to enable the sustainable growth. Although the board recognizes presence of these risks, but there are no risks which in the opinion of the board threaten the existence of the company. The risk management oversight structure includes committees of the board and senior management. The risk management process is governed by the comprehensive risk management framework which lays down guidelines for risk identification, assessment and monitoring as an ongoing process. It entails establishment of robust systems and processes within the risk management framework to mitigate risks effectively.

Risk management committee, which meets a minimum of two times a year, reviews the risk management policy, implementation of risk management framework, monitoring of critical risks, and review of various other initiatives with a structured plan. The risk management division has established a comprehensive risk management framework across the business and provides appropriate reports on risk exposures and analysis in its pursuit of creating awareness across the company about risk management.

## VI. Internal control systems and their adequacy

The company has a proper and adequate system of internal control in all spheres of its activities to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported diligently. The internal control is supplemented by an effective internal audit being carried out by an external firm of chartered accountants. The company ensures adherence to all internal control policies and procedures as well as compliances with all regulatory guidelines. The audit committee of the board of directors reviews the adequacy of internal controls.

The main purposes of the internal control systems are:

- assurance about the fact that the transactions are recorded in proper manner and under proper heads;
- automatic and independent checking of transactions so as to ensure their validity;
- to check and assure the compliance of various enactments like corporate laws, tax laws etc;
- to prevent and early detection of frauds and malpractices, if any; and
- to ensure timely preparation of reliable financial information.

## VII. Financial performance with respect to operational performance

The overall financial performance of the company during the financial year ended on March 31, 2020 is simplified in tabular form as under:

Sr. no.	Particulars	March 31, 2020 (₹ in lakhs)	March 31, 2019 (₹ in lakhs)
1	Total revenue	1,559.58	589.92
2	Profit before interest, depreciation and tax	1,485.67	524.94
3	Depreciation	4.74	6.95
4	Finance cost	953.58	114.13
5	Tax	133.44	121.44
6	Profit after tax	393.91	282.41
7	Net profit margin (%)	25.26%	47.91%
8	EPS (basic and diluted) (amount in ₹)	3.64	2.61

## VIII. Human resources / industrial relations

The company strongly believes that its human resources are critical to its success and carrying forward its mission. With their sustained, determined and able work efforts the company has been able to cruise smoothly through the hard time of the economic volatility and rapidly changing market conditions. By creating conducive environment for career growth, company always tries to achieve the maximum utilization of employee's skills in the most possible way.

The company recognizes people as the primary source of its competitiveness and continues to focus on people development by leveraging technology and developing a continuously learning human resource base to unleash their potential and fulfill their aspirations. Board of directors thanks all of the employees for their valuable contribution towards the growth of the company.

There were no cases of sexual harassment of woman at work place. Also, there are no instances of child labour / forced labour / involuntary labour and discriminatory employment during the year.

There are 7 employees employed by the company on payroll as on March 31, 2020. Industrial relations throughout the year continued to remain very cordial and satisfactory.

**IX. Key financial ratios**

Key indicators	2019-20	2018-19
PBT / total income (%)	33.81	68.46
PBT / total assets (%)	2.56	4.02
Debt / equity (x)	5.20	2.28
Net profit margin (%)	25.26	47.91
Return on net worth (%)	12.06	9.41

**Cautionary statement**

Certain statements in this annual report including the management discussion and analysis report describing the company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and government policies that may impact the company's business as well as its ability to implement the strategies. The company does not undertake to update these statements.

## Corporate governance report

### I. Company's philosophy on code of corporate governance

The company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., trust, value and service. It has been a constant endeavor on the part of the company to achieve excellence in corporate governance by following the principles of transparency, accountability and integrity in functioning, so as to constantly striving to enhance value for all the stakeholders and society in general. The company's governance framework is based on the principles of appropriate composition and size of the board with each member bringing in expertise in their respective domains; timely disclosure of material operational and financial information to the stakeholders; proper systems and processes of internal control as well as proper business conduct by the board, senior management and employees.

### II. Board of directors

#### a. Composition of the board

During the financial year ended on March 31, 2020, the board of the company was constituted with four directors. The board is mainly headed by Mr. Rajesh P. Khandwala who is chairman & managing director of the company. The independent directors on the board are experienced, competent and reputed persons from their respective fields. The independent directors take active part at the board and committee meetings, which adds vision, strategic direction and value in the decision making process of the board of directors. During the financial year and as at March 31, 2020, the composition of board is given herein below:

- Mr. Rajesh P. Khandwala (Executive chairman, managing, non independent director)
- Mrs. Sonal R. Khandwala (Non executive, non independent, woman director)
- Mr. Devang M. Shah (Non executive, independent director)
- Mr. Dharmendra N. Soni (Non executive, independent director)

Also the board of directors of the company has at its meeting held on June 29, 2020 appointed Mr. Sharvil B. Suthar as an independent director of the company.

#### b. Attendance of each director at the board meetings and at the last annual general meeting

The board meets at least once a quarter to review the quarterly financial results and operations of your company. In addition, the board has also constituted a managing committee to look after other managerial affairs of the company when it is not feasible to the board to convene a meeting.

Attendance of each director at the board meetings and at the last 24<sup>th</sup> annual general meeting (AGM) (held on September 27, 2019) is as under:

Sr. no.	Name of director	Dates of board meetings and attendance				24 <sup>th</sup> AGM
		May 29, 2019	September 12, 2019	December 13, 2019	January 13, 2020	
1	Mr. Rajesh P. Khandwala	✓	✓	✓	✓	✓
2	Mrs. Sonal R. Khandwala	✓	✓	✓	✓	✓
3	Mr. Devang M. Shah	✓	✓	✓	✓	✓
4	Mr. Dharmendra N. Soni	✓	✓	✓	✓	✓

✓ denotes presence

#### c. Number of other board of directors or committees in which a director is a member or chairperson (as on March 31, 2020)

Sr. no.	Name of director	Relationship inter-se directors	No. of other directorships (other than KIFS Financial Services Limited)	No. of board committees (other than KIFS Financial Services Limited)*	
				Chairman	Member
1	Mr. Rajesh P. Khandwala	Related to Mrs. Sonal R. Khandwala as being her husband	6 <sup>#</sup>	4 <sup>#</sup>	-
2	Mrs. Sonal R. Khandwala	Related to Mr. Rajesh P. Khandwala as being his wife	-	-	-

Sr. no.	Name of director	Relationship inter-se directors	No. of other directorships (other than KIFS Financial Services Limited)	No. of board committees (other than KIFS Financial Services Limited)*	
				Chairman	Member
3	Mr. Devang M. Shah	-	-	-	-
4	Mr. Dharmendra N. Soni	-	-	-	-

\*only statutory committees of board of directors have been taken into consideration

#includes no other listed entity

**d. Number and dates of board meetings held**

Please refer point b. above

**e. Disclosure of relationships between directors inter-se**

Please refer point c. above

**f. Number of equity shares and convertible instruments held by the non executive directors**

Sr. no.	Name of the non executive director	No. of equity shares held as on March 31, 2020	No. of convertible instruments held as on March 31, 2020
1	Mr. Devang M. Shah	-	Not issued by the company
2	Mr. Dharmendra N. Soni	180	
3	Mrs. Sonal R. Khandwala	-	

**g. Web link of details of familiarization programmes imparted to the independent directors**

Following is the web link of familiarization programmes imparted to the independent directors of the company:

<http://www.kifsfinance.com/independent-directors-familiarization-program/index.html>

**h. Matrix / table containing skills / expertise / competence of the board of directors**

The board members are from diversified areas having the required knowledge, competency, skills and experience to effectively discharge their responsibilities. The range of experience of the board members includes in the areas of primary market, secondary market, mutual funds, arbitrage operations, banking & finance, taxation and legal.

The company has identified and broadly categorized its core skills, expertise and competencies as mentioned hereunder:

Matrix / table of core skills, expertise and competencies of board of directors as whole:

Particulars	Detailed list of core skills, expertise and competencies
Core Skills	Strategic policy formulation and advising, regulatory framework knowledge, financial performance, advising on Risk mitigation and compliance requirements
Expertise	Knowledge of stock market, commercial acumen and able to guide in building the right environment for human assets development
Competencies	Strategic leadership, execution of policies framed by the board, identifying the growth areas for expanding the business in India and outside India and advising on business risks & environment

All the board members i.e. Mr. Rajesh P. Khandwala, Mrs. Sonal R. Khandwala, Mr. Devang M. Shah and Mr. Dharmendra N. Soni possess the requisite skills, expertise and competencies as mentioned above in the table. Also Mr. Sharvil B. Suthar, appointed on the board w.e.f. June 29, 2020 is a practicing company secretary by profession and possesses the requisite knowledge of corporate governance, knowledge of stock market and corporate advisory skills.

**i. Confirmation of the board regarding the independent directors**

The board of directors confirms that in the opinion of the board, the independent directors fulfill the conditions specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and are independent of the management.

**III. Audit committee**

**a. Brief description of terms of reference**



The audit committee reviews the matters falling in its terms of reference and addresses larger issues and examines those facts that could be of vital concerns to the company. The committee acts as a link between the statutory and the internal auditors and the board of directors of the company. It is authorized to select and establish accounting policies, review reports of the statutory and the internal auditors and meet with them to discuss their findings, suggestions and other related matters. It is authorized to, inter alia, review and monitor the auditor's independence and performance, effectiveness of the audit process, oversight the company's financial reporting process and the disclosure of its financial information, reviewing with the management the quarterly, half yearly and annual financial statements before submission to the board for approval, examination of the financial statements and the auditors' report thereon, approval of transactions of the company with its related parties including subsequent modifications thereof, grant omnibus approvals subject to fulfillment of certain conditions, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the company wherever it is necessary, evaluation of internal financial controls and risk management systems etc.

The committee is empowered to review, inter alia, the remuneration payable to the statutory auditors and internal auditors and to recommend a change in the auditors, if felt necessary. It is also empowered to review the management discussion and analysis of financial conditions and results of operations and statement of significant related party transactions. Further, the committee is also authorized to oversee the functioning of the whistle blower policy / vigil mechanism.

Generally all the items listed in section 177(4) of the Companies Act, 2013 and point A of part C of the schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are covered under the roles of the audit committee. The audit committee has been granted powers as prescribed under provisions of the regulation 18(2)(c) of the aforesaid regulations and reviews all the information as prescribed in point B of the part C of the schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Composition of the audit committee

During the financial year under report and as at March 31, 2020, following directors were the members of the audit committee:

- Mr. Devang M. Shah (Committee chairman, non executive, independent director)
- Mr. Dharmendra N. Soni (Committee member, non executive, independent director)
- Mr. Rajesh P. Khandwala (Committee member, executive, managing, non independent director)

All members of the audit committee have the requisite qualification for appointment on the committee and posses sound knowledge of finance, accounting practices and internal controls.

Mr. Durgesh D. Soni, company secretary & compliance officer acts as secretary of the committee.

### b. Meetings and attendance

During the financial year ended on March 31, 2020, four meetings of the audit committee were held on (i) May 29, 2019, (ii) September 12, 2019, (iii) December 13, 2019 and (iv) January 13, 2020.

All the three members of the audit committee had attended all the audit committee meetings held during the financial year under report.

## IV. Nomination and remuneration committee

### a. Brief description of terms of reference

The constitution and the terms of reference of the nomination and remuneration committee are in compliance with the provisions of section 178(1) of the Companies Act, 2013 and regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The role of the nomination and remuneration committee is to establish criteria for selection to the board with respect to the competencies, qualifications, experience, track record and integrity, and recommend candidates for board membership, develop and recommend policies with respect to composition of the board commensurate with the size, nature of the business and operations of the company.

According to the provisions of point A of part D of the schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the roles / terms of reference of the nomination and remuneration committee include:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

- formulation of criteria for evaluation of performance of independent directors and the board of directors;
- devising a policy on diversity of board of directors;
- identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors; and
- recommend to the board, all remuneration, in whatever form, payable to senior management.

#### b. Composition of the nomination and remuneration committee

During the financial year under report and as at March 31, 2020, following directors were the members of the nomination and remuneration committee:

- Mr. Devang M. Shah (Committee chairman, non executive, independent director)
- Mr. Dharmendra N. Soni (Committee member, non executive, independent director)
- Mrs. Sonal R. Khandwala (Committee member, non executive, non independent director)

Mr. Durgesh D. Soni, company secretary & compliance officer acts as secretary of the committee.

#### c. Meetings and attendance

During the financial year ended on March 31, 2020, one meeting of the nomination and remuneration committee was held on May 29, 2019 with unanimous presence.

#### d. Performance evaluation criteria for independent directors

The performance evaluation of the independent directors of the company is made on the basis of their presence in the board and committee meetings, their approach of implementation of activities of the independent directors' familiarization programmes, their suggestions and advices for the betterment of business of the company, taking active part in the formulation of future plans of the company and performing the duties as entrusted by the provisions of the law and from the board of directors, from time to time etc.

### V. Remuneration of the directors

#### a. Pecuniary relationship or transactions of the non executive directors vis-à-vis company

During the financial year under report, the company has compensated the non executive independent directors by way of paying them sitting fees for attending the board and audit committee meetings. Apart from above, no transaction for payment of any sum has been made with non executive directors vis-à-vis your company.

#### b. Criteria for making payments to the non executive directors

The criteria of making payments to the non executive directors are enumerated in the nomination and remuneration policy adopted by the board and uploaded on the website of the company at the web link given below:

<http://kifsfinance.com/wp-content/uploads/2015/02/Nomination-Remuneration-policy-KIFS.pdf>

#### c. Remuneration of directors

(amount in ₹)

Sr. no.	Name of the director	Basic salary* / sitting fee <sup>#</sup>	Other benefits	Stock option & pensions	Fixed and performance linked incentives	Stock options	Total
1	Mr. Rajesh P. Khandwala	6,00,000*	-	-	-	-	6,00,000
2	Mrs. Sonal R. Khandwala	-	-	-	-	-	-
3	Mr. Devang M. Shah	40,000 <sup>#</sup>	-	-	-	-	40,000
4	Mr. Dharmendra N. Soni <sup>§</sup>	30,000 <sup>#</sup>	-	-	-	-	30,000
	<b>Total</b>	<b>6,70,000</b>	-	-	-	-	<b>6,70,000</b>

§ Sitting fees amounting to ₹ 40,000 was paid to Mr. Dharmendra N. Soni for the meetings attended during the year, however, there remains 10,000 pending to be withdrawn (cheque pending to be deposited) by him during the year.

Further, none of the directors has been appointed on service contract basis. The notice period and severance fees are decided based on the mutual understandings between the board members from time to time.

**VI. Stakeholders' grievance committee**

As on March 31, 2020, the committee was constituted with the following members:

- Mr. Dharmendra N. Soni (Committee chairman, non executive, independent director)
- Mr. Devang M. Shah (Committee member, non executive, independent director)
- Mr. Rajesh P. Khandwala (Committee member, executive, managing, non independent director)

Mr. Durgesh D. Soni, company secretary of the company acts as secretary of the committee and Mr. Soni has also been designated as compliance officer of the company under the provisions of regulation 6 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the financial year ended on March 31, 2020, four meetings of the stakeholders' grievance committee were held on (i) May 29, 2019, (ii) September 12, 2019, (iii) December 13, 2019 and (iv) January 13, 2020.

During the financial year ended on March 31, 2020, the company received one investor compliant which was resolved by it within due time and at the end of the financial year, there remains no investor complaint pending to be resolved.

**VII. General body meetings****a. Dates, time and places of last three annual general meetings (AGMs)**

AGM	Date	Time	Place
24 <sup>th</sup> AGM for the financial year 2018-19	Friday, September 27, 2019	4.00 pm	Registered office: B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India.
23 <sup>rd</sup> AGM for the financial year 2017-18	Friday, September 21, 2018	4:00 pm	Registered office: B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India.
22 <sup>nd</sup> AGM for the financial year 2016-17	Friday, September 22, 2017	5:00 pm	Registered office: B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India.

**b. Special resolution(s) passed in the previous three annual general meetings**

AGM	Particulars of special resolutions passed
24 <sup>th</sup> AGM for the financial year 2018-19	Nil
23 <sup>rd</sup> AGM for the financial year 2017-18	At the annual general meeting: <ul style="list-style-type: none"> <li>• Re-appointment of Mr. Dharmendra N. Soni (DIN: 01659489) as an independent director</li> <li>• Re-appointment of Mr. Devang M. Shah (DIN: 01788760) as an independent director</li> </ul>
22 <sup>nd</sup> AGM for the financial year 2016-17	At the annual general meeting: <ul style="list-style-type: none"> <li>• Re-appointment of Mr. Rajesh P. Khandwala (DIN: 00477673) as an executive chairman and managing director</li> </ul>

**c. Special resolution(s) passed during the year through postal ballot**

No resolution was passed during the financial year under report by way of postal ballot.

**d. Persons who conducted postal ballot exercise**

Please refer point c. above.

**e. Whether any special resolution is proposed to be conducted through postal ballot**

No special resolution is proposed to be conducted through postal ballot in the ensuing annual general meeting.

**VIII. Means of communication**

The annual, half yearly and quarterly financial results of the company and other notices are submitted to the Bombay Stock Exchange in accordance with the provisions of the listing regulations and the same are generally being published in the Indian Express – English language and Financial Express – Gujarati vernacular language newspapers. The results and other notices are simultaneously posted on the company website i.e. www.kifsfinance.com. The official news releases, as & when given, are displayed at the website of the company.

**IX. General shareholder information****a. Annual general meeting**

Date	:	Tuesday, September 29, 2020
Time	:	4:00 pm
Venue	:	Through video conference or other audio visual means
Record date	:	Tuesday, September 22, 2020

**b. Financial year**

Financial year	:	April 1 to March 31
Tentative calendar	:	

First quarter result	Within 45 days from closure of quarter ending on June 30, 2020
Second quarter / half yearly result	Within 45 days from closure of quarter / half year ending on September 30, 2020
Third quarter result	Within 45 days from closure of quarter ending on December 31, 2020
Results for the financial year ending on March 31, 2020	Within 60 days from closure of quarter / financial year ending on March 31, 2021

\* Subject to additional relaxation(s) granted by respective authorities considering COVID-19

**c. Dividend payment dates**

The final dividend, if declared for the financial year ended on March 31, 2020, in the ensuing annual general meeting shall be paid on or before Thursday, October 29, 2020.

**d. Listing of securities**

During the financial year under report, the equity shares of the company were listed on the Bombay Stock Exchange situated at P. J. Towers, Dalal Street, Mumbai – 400001, Maharashtra, India. Your company has paid the listing fees to the Bombay Stock Exchange for the financial year ended on March 31, 2020 as well as financial year ending on March 31, 2021.

**e. Scrip / stock code**

BSE	:	535566
ISIN	:	INE902D01013

**f. Market price data of the equity shares of the company (BSE Portal)**

Months	High (₹)	Low (₹)	Closing (₹)	Volume (No. of shares)
<b>2019</b>				
April	66.25	64.00	66.00	1,155
May	66.00	56.45	62.20	1,777
June	68.25	62.00	62.00	1,578
July	65.00	62.00	64.95	211
August	68.15	61.95	63.00	7,597
September	59.85	56.70	56.70	336
October	56.70	48.45	48.50	464
November	60.30	38.80	58.75	6,544
December	64.50	48.15	48.15	5,267
<b>2020</b>				
January	55.40	38.35	48.00	2,404
February	54.95	40.55	47.90	4,605
March	53.55	44.65	49.00	326

**g. Performance in compare to broad based indices (BSE sensex)**

Months	Month closing prices of BSE sensex index (₹)	% Increase / (decrease) in compare to previous month	Month closing prices of company's equity shares on BSE (₹)	% increase / (decrease) in compare to previous month
<b>2019</b>				
April	39,031.55	7.05	66.00	3.29
May	39,714.20	(3.91)	62.20	(5.76)
June	39,394.64	5.18	62.00	(0.32)
July	37,481.12	(4.48)	64.95	4.76
August	37,332.79	(2.76)	63.00	(3.00)
September	38,667.33	(0.32)	56.70	(10.00)
October	40,129.05	3.97	48.50	(14.46)
November	40,793.81	6.94	58.75	21.13
December	41,253.74	0.30	48.15	(18.04)
<b>2020</b>				
January	40,723.49	0.85	48.00	(0.31)
February	38,297.29	(5.58)	47.90	(0.21)
March	29,468.49	(32.92)	49.00	2.30

**h. No suspension of trading**

During the financial year under report and during any of the previous financial years, the securities of the company were never suspended from trading on any of the stock exchange(s).

**i. Registrar and share transfer agent**

Link Intime India Private Limited is acting as registrar & share transfer agent of the company for physical and demat segment. Their address for communication is as under:

Link Intime India Private Limited,

506-508, Amarnath Business Center – 1, Besides Gala Business Center,

Nr. St. Xavier's College Corner, Off C. G. Road, Navrangpura, Ahmedabad – 380009, Gujarat, India.

Ph. no.: +91 79 26465179, 86, 87, Fax: +91 79 26465179,

Email: ahmedabad@linkintime.co.in, Website: www.linkintime.co.in

**j. Share transfer system**

Share transfer work of physical segment is attended by the company's registrar & share transfer agent Link Intime India Private Limited. The shares lodged for transfer are processed and share certificates duly endorsed are returned within the stipulated time, subject to documents being valid and complete in all respects.

A summary of approved transfers, transmissions, deletion requests, etc., are placed before the board of directors / stakeholders' grievance committee from time to time as per the listing regulations. Your company obtains a half-yearly compliance certificate from a company secretary in practice as required under the listing regulations (including any statutory modification(s) or re-enactment(s) for the time being in force) and files the same with the Bombay Stock Exchange.

**k. Distribution of shareholding as on March 31, 2020**

No. of equity share held	No. of shareholders	% of shareholders	No. of equity shares held	% of shareholding
Upto 500	446	77.97%	65,438	0.60%
501 to 1,000	50	8.74%	41,679	0.39%
1,001 to 2,000	27	4.72%	40,189	0.37%
2,001 to 3,000	15	2.62%	36,576	0.34%
3,001 to 4,000	7	1.22%	25,081	0.23%
4,001 to 5,000	3	0.52%	13,640	0.13%
5,001 to 10,000	5	0.87%	34,400	0.32%
10,001 and above	19	3.32%	1,05,60,997	97.62%
<b>Total</b>	<b>572</b>	<b>100.00%</b>	<b>1,08,18,000</b>	<b>100.00%</b>

**Category of shareholders as on March 31, 2020**

Category	No. of shareholders	% of shareholders	No. of equity shares held	% of shareholding
<b>A. Promoter &amp; promoter group shareholding</b>				
Body corporate	1	0.17%	80,50,000	74.41%
<b>B. Public shareholding</b>				
(a) Body corporate	10	1.75%	5,07,602	4.69%
(b) Resident individuals	530	92.66%	2068576	19.12%
(c) HUF	27	4.72%	25,538	0.24%
(d) NRI	1	0.17%	1	0.00%
(e) Clearing members	1	0.17%	3	0.00%
(f) IEPF authority	1	0.17%	1,66,180	1.54%
(g) Trusts	1	0.17%	100	0.00%
<b>Total</b>	<b>572</b>	<b>100.00%</b>	<b>1,08,18,000</b>	<b>100.00%</b>

**I. Dematerialization of shares and liquidity**

The company's equity shares have been allotted ISIN (INE902D01013) both by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

1,07,58,120 equity shares representing 99.45% of the paid up equity share capital of the company have been dematerialized till March 31, 2020.

Holding as on March 31, 2020

Mode of holding	No. of equity shares	% of total paid up capital
Electronic – CDSL	10,76,847	9.95%
Electronic – NSDL	96,81,273	89.49%
Physical	59,880	0.55%
<b>Total</b>	<b>1,08,18,000</b>	<b>100.00%</b>

For information relating to liquidity / number of traded shares for respective months during the financial year ended on March 31, 2020, please refer point f. above.

**m. Outstanding GDRs / ADRs / warrant(s) / convertible instrument(s)**

The company has not issued any of the securities stated above.

**n. Commodity price risk / foreign exchange risk and hedging activities**

The nature of business of the company doesn't involve any commodity price risk / foreign exchange risk and doesn't require any hedging activities.

**o. Plant locations**

Being an NBFC, your company does not have any manufacturing plant.

**p. Address for correspondence****Company**

Mr. Durgesh D. Soni, company secretary & compliance officer,  
KIFS Financial Services Limited,  
B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India.  
Ph no.: +91 79 26400140, 740, Fax: +91 79 26403717, Email: cs@kifs.co.in, Website: www.kifsfinance.com

**Registrar and share transfer agent**

Link Intime India Private Limited,  
506-508, Amarnath Business Center – 1, Besides Gala Business Center,  
Nr. St. Xavier's College Corner, Off C. G. Road, Navrangpura, Ahmedabad – 380009, Gujarat, India.  
Ph. no.: +91 79 26465179, 86, 87, Fax: +91 79 26465179,  
Email: ahmedabad@linkintime.co.in, Website: www.linkintime.co.in

**q. List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad**

The CARE Ratings Limited has vide its letter dated May 31, 2019, provided the credit rating to the company for its facilities as given below:

Facilities	Amount (₹ Crore)	Rating	
Long-term / short-term bank facilities (over draft against fixed deposits)	25.00	ICRA (old)	CARE (revised)
		ICRA BBB+ (stable)	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/ A Two)
<b>Total facilities</b>	<b>25.00 (Rupees Twenty Five Crores Only)</b>		

**X. Other disclosures**

a. The company doesn't have any material significant related party transactions that may have potential conflict with the interests of the listed entity at large.

b. No penalties or strictures have been imposed on the company by the stock exchange(s) or SEBI or any other statutory authority on any matter related to capital markets during last three financial years.

c. Pursuant to the provisions of section 177(9) of the Companies Act, 2013, rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has duly established a vigil mechanism / whistle blower policy for directors and employees of the company. Mr. Rajesh P. Khandwala, managing director of the company does hereby affirm that no personnel are being denied access to the audit committee to report genuine concerns in this regard.

d. The company has complied with all mandatory requirements of the listing regulations to the extent applicable. Further, the company has complied with the non mandatory requirements relating to being in the regime of financial statements with unmodified opinion and reporting by the internal auditor directly to the audit committee.

e. The company doesn't have any subsidiary and thus it has not adopted any policy for determination of material subsidiaries.

f. Web link of the policy on dealing with related party transactions is as follows:  
<http://kifsfinance.com/wp-content/uploads/2015/02/RPT-Policy-KIFS.pdf>

g. The nature of business of the company doesn't involve any commodity price risk / foreign exchange risk and doesn't require any hedging activities.

h. During the financial year under report, the company didn't raise any funds through preferential allotment or qualified institutions placement as specified under regulation 32 (7A).

i. **A compliance certificate** from M/s. Anamika Jajoo & Co., practicing company secretary, confirming that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the board / ministry of corporate affairs or any such authority is attached as annexure to this corporate governance report.

j. There was no such instance during the financial year 2019-20 when the board of directors had not accepted recommendation(s), if any, made by any of the committee(s) of the board of directors of the company.

k. Statutory audit fees of ₹ 60,000/- have been paid by the company to M/s. Bimal Shah Associates (FRN-101505W) for agreed services between the company and the said firm of auditors for the financial year 2019-20.

l. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

a. number of complaints filed / received during the financial year – nil

b. number of complaints disposed of during the financial year – not applicable

c. number of complaints pending as on end of the financial year – not applicable

**XI. Non compliance and reason(s) thereof**

The company has complied with all the provisions of corporate governance related to the matters enumerated in the point II to X above for the financial year ended on March 31, 2020 to the extent applicable.

**XII. Adoption of discretionary requirements**

Please refer point X(d.) above.

**XIII. Disclosures of compliance with corporate governance specified in regulation 17 to 27 and regulation 46(2)(b) to (i) of the listing regulations**

The company is in compliance with the corporate governance requirements specified in regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (listing regulations) for the financial year ended on March 31, 2020, to the extent applicable.

**XIV. Code of conduct**

The board of directors has adopted a code of conduct & policy for the directors and senior management personnel. This code is a comprehensive code applicable to all executives as well as non executive directors and members of the senior management. A copy of the code has been hosted on the company's website at following web link:

<http://kifsfinance.com/code-of-conduct-policy/>

The code has been circulated to all the members of the board and senior management personnel and compliance of the same has been affirmed by them. A declaration signed by the managing director in this regard is given below:

“I, Rajesh P. Khandwala, managing director of the company, hereby confirm that:

the company has obtained from all the members of the board and senior management personnel of the company, affirmation that they have complied with the code of conduct & policy framed for the directors and senior management personnel in respect to the financial year 2019-20.”

Yours' sincerely,  
For KIFS Financial Services Limited

Rajesh P. Khandwala  
(Managing director)  
(DIN: 00477673)

**XV. Compliance certificate on corporate governance**

A certificate from statutory auditors of the company regarding compliance of conditions of the corporate governance is attached at the end of this corporate governance report.

**XVI. Disclosure with respect to demat suspense account / unclaimed suspense account**

- (a) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year: 1,61,400 equity shares of ₹ 10/- each from 1,468 folios (with IEPF authority)
- (b) Number of shareholders who approached listed entity for transfer of shares from suspense account during the year: nil
- (c) Number of shareholders to whom shares were transferred from suspense account during the year: not applicable
- (d) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year: 1,66,180 equity shares of ₹ 10/- each from 1,505 folios (with IEPF authority)

Shareholders are requested to make sure encashment of their dividend to avoid transfer of their shares to the investor education and protection fund unnecessarily.



**XVII. MD & CFO certification**

Mr. Rajesh P. Khandwala, managing director & Mr. Bhavik J. Shah, chief financial officer heading finance functions have certified to the board, inter-alia the accuracy of the financial statements and adequacy of internal controls for the financial reporting purpose as required under the provisions of regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the financial year ended on March 31, 2020.

**XVIII. Transfer of unclaimed dividend to the investor education and protection fund**

During the financial year under report, your company has transferred the unpaid dividend amount of ₹ 2,70,125 (rupees two lakhs seventy thousand one hundred and twenty five only) for the financial year 2011-12, to the investor education and protection fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the company before transfer of the said amounts to the IEPF.

**XIX. Risk management committee**

While business risk evaluation and management is an ongoing process within the organization, the company has a vigorous risk management framework to identify, monitor and minimize the business and non business risks. The company has voluntarily formed a risk management committee consisting of the following members:

Sr. no.	Name of the member	Category	Designation in the committee
1	Mr. Dharmendra N. Soni	Non executive independent director	Chairman
2	Mr. Devang M. Shah	Non executive independent director	Member
3	Mr. Rajesh P. Khandwala	Executive, managing, non independent director	Member

The terms of reference, objectives and scope of the risk management committee inter-alia include:

- oversight of risk management performed by the officers;
- reviewing the risk management policy and framework in line with local legal requirements and SEBI guidelines;
- identification, monitoring and measurement of the risk profile of the company (including market risks, operational risks, and credit risks); and
- defining framework for identification, assessment, monitoring, and reporting of risks.

During the financial year under report, two meetings of the committee were held with unanimous presence.

**XX. Prevention of insider trading**

In accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, a comprehensive code of practices and procedures for fair disclosure of unpublished price sensitive information for adhering to the principles of fair disclosure, a code of internal procedures and conduct for regulating, monitoring and reporting of trading by insiders and policy and procedures for inquiry in case of leak of unpublished price sensitive information for prevention and regulation of trading in the company's shares by insiders are in vogue.

The code prohibits purchase or sale of company's shares by directors, KMP and other designated person, designated employees while in possession of unpublished price sensitive information in relation to the company. The same can be found on website of the company at the investors section.

**XXI. Reconciliation of share capital audit**

As stipulated by the SEBI, a qualified practicing company secretary carries out the reconciliation of share capital audit to reconcile the total admitted share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and paid-up share capital of the company. This audit is carried out every quarter. The audit, inter-alia, confirms that the listed and paid-up share capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form held with NSDL and CDSL and the total number of shares in physical form.

**XXII. Independent directors registration**

All the independent directors of the company have completed their registration on the independent directors' data bank within the timeline stipulated by the law. Also the requisite independent director(s) have cleared the proficiency self-assessment test or are not required to do so based on the relaxation provided therein.

Also the board of directors of the company opines that during the year the integrity, expertise and experience (including proficiency) of the independent directors are satisfactory to the company's requirements. The independent directors are proficient in the field as specified in point II(h) above.

For and on behalf of the board of directors  
**KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Chairman & managing director)  
(DIN: 00477673)

Ahmedabad, June 29, 2020

## Managing director (MD) & chief financial officer (CFO) certificate

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To,  
The board of directors,  
KIFS Financial Services Limited,

We, Mr. Rajesh P. Khandwala, managing director and Mr. Bhavik J. Shah, chief financial officer of the company, do hereby certify that on the basis of the review of the financial statements and the cash flow statement of KIFS Financial Services Limited for the financial year ended on March 31, 2020 and that to the best of our knowledge and belief, we state that:

- a.
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
  
- b. there are, to the best of our knowledge and belief, no transactions entered into by the company during the financial year which are fraudulent, illegal or in violation of the company's code of conduct.
  
- c. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
  
- d. we have indicated to the auditors and the audit committee:
  - (i) significant changes, if any, in the internal control over financial reporting during the financial year;
  - (ii) significant changes, if any, in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the internal control system over financial reporting.

Yours sincerely,

**Rajesh P. Khandwala**  
(Managing director)  
(DIN: 00477673)

**Bhavik J. Shah**  
(Chief financial officer)

Ahmedabad, June 29, 2020

## Statutory auditors' certificate on corporate governance

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To,  
The members of KIFS Financial Services Limited,

We have examined the compliance of conditions of corporate governance by KIFS Financial Services Limited ('the company'), for the financial year ended on March 31, 2020, as per the relevant provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('listing regulations') for the period commencing from April 1, 2019 to March 31, 2020.

The compliance of conditions of the corporate governance is responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us by the company, we hereby certify that the company has complied with the conditions of corporate governance as stipulated in the listing regulations.

This certificate is neither an assurance as to the future viability of the company, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **M/s. Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

**Bimal Arvindbhai Shah**  
(Proprietor)  
Membership no.: 042372

Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAN8533

**Certificate of non-disqualification of directors**

To,  
The members of  
KIFS Financial Services Limited,  
B-81, Pariseema Complex, C. G. Road,  
Ellisbridge, Ahmedabad – 380006, Gujarat, India.

I have examined the relevant registers, records, forms, returns and disclosures received from the directors of KIFS Financial Services Limited having CIN: L67990GJ1995PLC025234 and having its registered office situated at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380006, Gujarat, India (hereinafter referred to as ‘the company’), produced before me by the company for the purpose of issuing this certificate, in accordance with regulation 34(3) read with schedule V para C sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. In my opinion and to the best of my information and according to the verifications (including directors identification number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the company & its officers, I / we hereby certify that none of the directors on the board of the company as stated below for the financial year ended on March 31, 2020 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other statutory authority. The details of directors of the company throughout the year and as on closure of the financial year i.e. on March 31, 2020 are as below:

Sr. no.	Name of director	DIN	Date of appointment in company
1	Rajesh Parmanand Khandwala	00477673	July 31, 2010
2	Sonal Rajesh Khandwala	01788620	May 27, 2014
3	Dharmendra Navnitlal Soni	01659489	December 28, 2002
4	Devang Manubhai Shah	01788760	December 28, 2002

Ensuring the eligibility of for the appointment / continuity of every director on the board is the responsibility of the management of the company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Anamika Jajoo & Co.**,  
Practicing company secretary

**Anamika Jajoo**  
(Proprietor)  
C. P. no.: 13859  
ACS no.: 20918

Ahmedabad, June 29, 2020  
UDIN: A020918B000391486

# **FINANCIAL STATEMENTS AND NOTES**

**(FY 2019-20)**

## Independent auditors' report

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To the members of  
KIFS Financial Services Limited,

### Report on the financial statements

#### Opinion

We have audited the financial statements of KIFS FINANCIAL SERVICES LIMITED ("the company"), which comprise the balance sheet as at March 31, 2020, the statement of profit and loss (including other comprehensive income) and statement of cash flows for the year then ended and notes to the 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 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 March 31, 2020, the profit and total comprehensive income and its cash flows for the year ended on that date.

#### Basis for opinion

We conducted our audit in accordance with the standards on auditing (SAs) 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 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have no key audit matter to communicate in our report.

#### Information other than the financial statements and auditor's report thereon

The 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 report, corporate governance and shareholder's information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

#### Management's responsibility for the 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 financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income and cash flows 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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.

The board of directors are also responsible for overseeing the company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Companies Act, 2013, 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 so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss including other comprehensive income and the statement of cash flow dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid financial statements comply with the AS specified under section 133 of the Act;
  - (e) on the basis of the written representations received from the directors as on March 31, 2020 taken on record by the board of directors, none of the directors is disqualified as on March 31, 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 and is within the limit specified under the said section.

- (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, 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; and
  - III. During the financial year under report i.e. 2019-20, the company has duly transferred ₹ 2,69,875/-, the unclaimed and unpaid dividend amount for the financial year 2010-11 to the investor education and protection fund.

For **Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

**Bimal A. Shah**  
(Proprietor)  
Membership no.: 042372  
Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

## Annexure – “A” to the independent auditors’ report

Referred to in paragraph 1 under the heading 'report on other legal & regulatory requirement' of our report of even date to the standalone financial statements of the company for the year ended March 31, 2020.

1. (a) The company is maintaining proper records showing full particulars, including full particulars, including quantitative details and situation of fixed assets;
 

(b) As explained to us, the company has regular programs of physical verification of its fixed assets by which fixed assets are verified in a phase manner over a period of the year. In accordance with this verification, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets;

(c) As the company has no immovable property as fixed assets, information required under this para is not applicable.
2. The company is a non-banking finance company. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the order is not applicable to the company.
3. (a) According to the information and explanation given to us, the company has granted loans, secured or unsecured to companies, firms, limited liability partnerships or other related parties covered in the register maintained u/s 189 of the Companies Act, the closing balance due from the above parties as at March 31, 2020 is ₹ 89.80 lakhs and the maximum amount involved during the year was ₹ 17363.46 lakhs. However, the terms & conditions for grant of such loans are not prejudicial to the company’s interest.
 

(b) In respect of loans granted to companies covered in the register maintained under section 189 of the Companies Act, 2013. The principal amounts, are repayable on demand and there is no repayment schedule.

(c) In respect of aforesaid loan specified in para 3(a) above, there are no overdue amount.
4. In our opinion and according to the information and explanations given to us, the provisions of section 185 and 186 of the Act, has been complied with considering the exemptions given to NBFC companies.
5. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of section 73 to 76 of the Companies Act, 2013 and rules framed there under.
6. We have been informed by the management, no cost audit records have been prescribed under section 148(1) of the Companies Act, 2013 in respect of financial services provided by the company.
7. According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including income tax, service tax and other material statutory dues have been generally regularly deposited during the year by the company with the appropriate authorities. However, in case of delays in few instances the same has been deposited along with interest due thereon.
 

According to the information and explanations given to us, no undisputed amount payable in respect of income tax, wealth tax, value added tax, service tax and other statutory dues applicable to the company were in arrears as on March 31, 2020 for a period of more than six months from the date become payable.
8. Based on our verification and according to the information and explanations given by the management, the company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
9. The company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, para 3(ix) of the order is not applicable.

10. 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.
11. According to the information and explanations given to us and based on our examination of the records of the company, the company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule v of the Act.
12. In our opinion and according to information and explanations given to us, the company is not a nidhi company. Accordingly, para 3(xii) of the order is not applicable.
13. According to the information and explanations given to us and based on our examination of records of the company, transactions with related parties are in compliance with section 177 and 188 of the Act, wherever applicable, and details of such transactions have been disclosed in the financial statements as required by applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of clause 3(xiv) of the order are not applicable to the company.
15. According to the information and explanations given to us and based on our examination of records of the company, the company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, para 3(xv) is not applicable.
16. The company being an NBFC, is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. The company is duly registered as a non-banking financial company (“NBFC”) with the Reserve Bank of India (“RBI”) and has got classified as a non-banking financial company with effect from February 18, 1998.

For **Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

**Bimal A. Shah**  
(Proprietor)  
Membership no.: 042372  
Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

## Annexure – “B” to the independent auditors’ report

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### 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 KIFS Financial Services Limited (“the company”) as of March 31, 2020 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 guidance note on audit of internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India (ICAI). 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.

#### Auditors’ 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 control, both applicable to an audit of internal financial control 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 understating 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 judgment, 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:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- ii. 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 authorisations of management and directors of the company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statement.

**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 misstatement due to error or fraud may occur and not be detected. Also, projections of any evaluation of 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;

- i. existing policies and procedures adopted by the company for ensuring orderly and efficient conduct of business;
- ii. continuous adherence to company's policies;
- iii. existing procedures in relation to safeguarding of company's fixed assets, investments, inventories, receivables, loans and advances made and cash and bank balances;
- iv. existing system to prevent and detect fraud and errors;
- v. accuracy and completeness of company's accounting records; and
- vi. existing capacity to prepare timely and reliable financial information.

For **Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

**Bimal A. Shah**  
(Proprietor)  
Membership no.: 042372  
Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

**Balance sheet as at March 31, 2020**

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019	As at April 1, 2018
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	5	4,30,49,934	3,73,64,389	4,58,60,936
Loans	6	1,99,07,05,597	94,82,74,719	39,57,59,944
Other Financial assets	7	5,27,564	2,50,955	2,37,718
<b>Total Financial Assets</b>		<b>2,03,42,83,095</b>	<b>98,58,90,063</b>	<b>44,18,58,598</b>
<b>Non-Financial Assets</b>				
Income tax assets (net)	8	2,46,47,292	1,74,21,179	1,91,66,901
Deferred tax Assets (Net)	9	3,53,521	4,22,458	3,66,862
Property, Plant and Equipment	10 (a)	10,58,922	15,33,420	22,24,447
Other Intangible assets	10 (b)	2,863	2,863	7,098
Other non-financial assets	11	4,73,594	4,69,333	6,68,097
<b>Total Non-Financial Assets</b>		<b>2,65,36,192</b>	<b>1,98,49,253</b>	<b>2,24,33,405</b>
<b>Total Assets</b>		<b>2,06,08,19,287</b>	<b>1,00,57,39,316</b>	<b>46,42,92,003</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Financial Liabilities</b>				
Payables				
(i) 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		87,570	1,88,094	67,612
Borrowings (Other than Debt Securities)	12	1,69,99,87,949	68,31,17,419	16,08,70,179
Other financial liabilities	13	7,95,506	10,03,841	11,83,241
<b>Total Financial Liabilities</b>		<b>1,70,08,71,025</b>	<b>68,43,09,354</b>	<b>16,21,21,032</b>
<b>Non-Financial Liabilities</b>				
Provisions	14	2,38,42,541	2,00,46,838	1,70,70,508
Other non-financial liabilities	15	94,92,060	11,18,042	13,58,233
<b>Total Non-Financial Liabilities</b>		<b>3,33,34,601</b>	<b>2,11,64,880</b>	<b>1,84,28,741</b>
<b>Total Liabilities</b>		<b>1,73,42,05,626</b>	<b>70,54,74,234</b>	<b>18,05,49,773</b>
<b>EQUITY</b>				
Equity Share Capital	16	10,81,80,000	10,81,80,000	10,81,80,000
Other Equity	17	21,84,33,661	19,20,85,082	17,55,62,230
<b>Total Equity</b>		<b>32,66,13,661</b>	<b>30,02,65,082</b>	<b>28,37,42,230</b>
<b>Total Liabilities and Equity</b>		<b>2,06,08,19,287</b>	<b>1,00,57,39,316</b>	<b>46,42,92,003</b>
See accompanying notes to the financial statements		-	-	-

As per our attached report of even date

For **M/s. Bimal Shah Associates,**

Chartered accountants

FRN: 101505W

For and on behalf of board of directors of **KIFS Financial Services Limited****Rajesh P. Khandwala**

(Managing director – DIN: 00477673)

**Devang M. Shah**

(Director – DIN: 01788760)

**Bimal Arvindbhai Shah**

(Proprietor)

(Membership no.: 042372)

**Durgesh D. Soni**

(Company secretary – A38670)

**Bhavik J. Shah**

(Chief financial officer)

Ahmedabad, June 29, 2020

UDIN: 20042372AAAAAP9979

Ahmedabad, June 29, 2020

**Statement of profit & loss for the financial year ended on March 31, 2020**

		Note no.	For the financial year 2019-20	For the financial year 2018-19
			Amount in ₹	Amount in ₹
<b>I</b>	<b>Revenue from operations</b>			
	Interest income	18	15,35,07,529	5,09,64,320
	Training income	19	12,99,614	-
	Fees and commission income	20	11,27,314	79,77,149
	<b>Total revenue from operations</b>		<b>15,59,34,457</b>	<b>5,89,41,469</b>
	Other income	21	23,710	50,573
	<b>Total income</b>		<b>15,59,58,167</b>	<b>5,89,92,042</b>
<b>II</b>	<b>EXPENSES</b>			
	Finance Costs	22	9,53,57,903	1,14,13,135
	Impairment on financial instruments	23	27,20,703	23,76,330
	Employee Benefit Expenses	24	33,80,799	27,52,024
	Depreciation, amortization and impairment	25	4,74,498	6,95,262
	Other expenses	26	12,89,706	13,69,545
	<b>Total expenses</b>		<b>10,32,23,609</b>	<b>1,86,06,296</b>
	<b>Profit before exceptional items and tax (I-II)</b>		<b>5,27,34,558</b>	<b>4,03,85,746</b>
	Exceptional items		-	-
	<b>Profit before extraordinary items and tax</b>		<b>5,27,34,558</b>	<b>4,03,85,746</b>
	Extraordinary items		-	-
<b>III</b>	<b>Profit before tax</b>		<b>4,03,85,746</b>	<b>4,14,84,931</b>
<b>IV</b>	<b>Tax expense</b>			
	Current tax	9	1,32,75,000	1,22,00,000
	Deferred tax (credit) / charge	9	(68,937)	55,596
	Net tax expenses		1,33,43,937	1,21,44,404
<b>V</b>	<b>Profit for the year (III-IV)</b>		<b>3,93,90,621</b>	<b>2,82,41,342</b>
<b>VI</b>	<b>Earnings per share (of ₹ 10/- each)</b>			
	(a) Basic		3.64	2.61
	(b) Diluted		3.64	2.61
	See accompanying notes to the financial statements			

As per our attached report of even date

For **M/s. Bimal Shah Associates,**

Chartered accountants

FRN: 101505W

For and on behalf of board of directors of **KIFS Financial Services Limited****Rajesh P. Khandwala**

(Managing director – DIN: 00477673)

**Devang M. Shah**

(Director – DIN: 01788760)

**Bimal Arvindbhai Shah**

(Proprietor)

(Membership no.: 042372)

**Durgesh D. Soni**

(Company secretary – A38670)

**Bhavik J. Shah**

(Chief financial officer)

Ahmedabad, June 29, 2020

UDIN: 20042372AAAAAP9979

Ahmedabad, June 29, 2020

**Statement of changes in equity for the year ended March 31, 2020****(A) Equity Share Capital**

(Amount in ₹)

Particulars	Balance at 1 April 2018	Changes in equity share capital during the year	Balance at 31 March 2019	Changes in equity share capital during the year	Balance at 31 March 2020
Equity Share of ₹ 10 each issued, subscribed and fully paid	10,81,80,000	-	10,81,80,000	-	10,81,80,000

**(B) Other Equity**

(Amount in ₹)

Particulars	Reserves and Surplus			Total
	Reserve fund	Securities Premium	Retained Earnings	
Balance at 1 April 2018	4,85,29,000	4,85,29,000	4,85,29,000	4,85,29,000
Changes in accounting policy / prior period errors	-	-	-	-
Restated balance at the beginning of the reporting period	4,85,29,000	4,86,81,000	7,83,52,230	17,55,62,230
Total Comprehensive Income for the year			2,82,41,342	2,82,41,342
Dividend on Equity Shares including DDT	-	-	(1,17,18,490)	(1,17,18,490)
Transfer to Reserve fund	56,48,268	-	(56,48,268)	-
Balance at 31 March 2019	5,41,77,268	4,86,81,000	8,92,26,814	19,20,85,082
Changes in accounting policy/prior period errors	-	-	-	-
Restated balance at the beginning of the reporting period	5,41,77,268	4,86,81,000	8,92,26,814	19,20,85,082
Total Comprehensive Income for the year	-	-	3,93,90,621	3,93,90,621
Dividend on Equity Shares including DDT	-	-	(1,30,42,042)	(1,30,42,042)
Transfer to Reserve fund	74,73,586	-	(74,73,586)	-
Balance at 31 March 2020	6,16,50,854	4,86,81,000	10,81,01,807	21,84,33,661

In terms of our report attached  
For **M/s. Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

For and on behalf of board of directors of **KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Managing director – DIN: 00477673)

**Devang M. Shah**  
(Director – DIN: 01788760)

**Bimal Arvindbhai Shah**  
(Proprietor)  
(Membership no.: 042372)

**Durgesh D. Soni**  
(Company secretary – A38670)

**Bhavik J. Shah**  
(Chief financial officer)

Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

Ahmedabad, June 29, 2020



**Cash flow statement for the financial year ended on March 31, 2020**

	For the financial year 2019-20		For the financial year 2018-19	
	Amount in ₹		Amount in ₹	
<b>A Cash flow from the operating activities</b>				
Net profit before tax		5,27,34,558		4,03,85,746
<b>Add: adjustments for:</b>				
Depreciation and amortization	4,74,498	4,74,498	6,95,262	6,95,262
<b>Operating profit before working capital changes</b>		<b>5,32,09,056</b>		<b>4,10,81,008</b>
<b>Changes in Working Capital:</b>				
<b>Adjustments for (increase)/decrease in operating assets:</b>				
Loans and Advances	(1,04,24,30,878)		(55,25,14,775)	
Other financial and non-financial assets	(75,06,983)		19,31,249	
<b>Adjustments for increase/(decrease) in operating liabilities:</b>				
Proceeds from borrowings	1,01,68,70,530		52,22,47,240	
Other financial and non-financial liabilities	80,65,159		(2,99,109)	
Provisions	37,95,703	(2,12,06,469)	29,76,330	(2,56,59,065)
Cash generated from / (used in) operations		3,20,02,587		1,54,21,943
Income tax paid (net)	<b>1,32,75,000</b>	<b>1,32,75,000</b>	<b>1,22,00,000</b>	<b>1,22,00,000</b>
<b>Cash flow from / (used in) operating activities (A)</b>		<b>1,87,27,587</b>		<b>32,21,943</b>
<b>B Cash flow from investing activities</b>				
<b>Net cash used in investing activities (B)</b>				
<b>C Cash flow from financing activities</b>				
Dividend paid including dividend distribution tax	(1,30,42,042)		(1,17,18,490)	
<b>Cash flow from / (used in) financing activities (C)</b>		<b>(1,30,42,042)</b>		<b>(1,17,18,490)</b>
Net increase / (decrease) in cash and cash equivalents (A+B+C)		56,85,545		(84,96,547)
Cash and Cash Equivalents at the beginning of the year		3,73,64,389		4,58,60,936
<b>"Cash and Cash Equivalents at the end of the year (Refer Note 1 below)"</b>		<b>4,30,49,934</b>		<b>3,73,64,389</b>

## 1. Notes

Particulars	As at 31 March 2020	As at 31 March 2019
Cash and bank balances at the end of the year comprises:		
(a) Cash on Hand	2,13,771	2,48,960
(b) Balances with banks	4,28,36,163	3,71,15,429
<b>Cash and Cash Equivalents as per Balance Sheet</b>	<b>4,30,49,934</b>	<b>3,73,64,389</b>

2. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard-7 on Statement of Cash Flows specified under Section 133 of the Companies Act, 2013.

## 3. Change in liabilities arising from financing activities

Particulars	31 March 2019	Cash Flows	Non-cash changes*	31 March 2020
Borrowings other than debt securities	68,31,17,419	1,01,68,70,530	-	1,69,99,87,949
<b>Total liabilities from financing activities</b>	<b>68,31,17,419</b>	<b>1,01,68,70,530</b>	-	<b>1,69,99,87,949</b>

Particulars	1 April 2018	Cash Flows	Non-cash changes*	31 March 2019
Borrowings other than debt securities	16,08,70,179	52,22,47,240	-	68,31,17,419
<b>Total liabilities from financing activities</b>	<b>16,08,70,179</b>	<b>52,22,47,240</b>	-	<b>68,31,17,419</b>

\* Non-cash changes includes the effect of recording financial liability at amortized cost, amortization of processing fees etc.

See accompanying explanatory notes forming part of the financial statements

In terms of our report attached  
For **M/s. Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

For and on behalf of board of directors of **KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Managing director – DIN: 00477673)

**Devang M. Shah**  
(Director – DIN: 01788760)

**Bimal Arvindbhai Shah**  
(Proprietor)  
(Membership no.: 042372)

**Durgesh D. Soni**  
(Company secretary – A38670)

**Bhavik J. Shah**  
(Chief financial officer)

Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

Ahmedabad, June 29, 2020

## Notes forming part of the financial statements

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### Note 1 Significant accounting policies

#### 1. Corporate information

KIFS Financial Services Limited (KFSL) incorporated under the provisions of the Companies Act, 1956 on March 29, 1995 [CIN: L67990GJ1995PLC025234] is a non banking financial company registered with the Reserve Bank of India (RBI) under the provisions of section 45-IA of the RBI Act, 1934 as a loan company (RBI registration no. 01.00007 dated 18.02.1998). KFSL is a public limited company and is listed on Bombay Stock Exchange Ltd. It offers capital market products like margin trading, loan against shares (LAS) and funding primary market issues for the retail investors.

The Company's registered office is at B-81, Pariseema complex, Ellisbridge, C. G. Road, Ahmedabad – 380006, Gujarat, India.

#### 2. Basis of preparation

##### 2.1 Statement of compliance

"The standalone financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (the "Ind AS") prescribed under section 133 of the Companies Act, 2013 (the "Act").

For all periods up to and including the year ended 31 March 2019, the Company prepared its standalone financial statements in accordance with accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). These standalone financial statements for the year ended 31 March 2020 are the Company's first financial statements prepared in accordance with Ind AS."

##### 2.2 Basis of measurement

The standalone financial statements have been prepared on historical cost basis except as stated otherwise.

##### 2.3 Functional and presentation currency

The standalone financial statements are presented in Indian Rupees (₹) which is the currency of the primary economic environment in which the Company operates (the "functional currency").

##### 2.4 Use of estimates and judgements

The preparation of the standalone financial statements in conformity with Ind AS requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively."

The areas involving the use of estimates or judgements are:

#### i) Business model assessment

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") 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. The Company monitors the financial assets measured at amortised cost and this monitoring is part of the Company's continuous assessment of whether the business model for which the 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.

#### ii) Effective Interest Rate ("EIR") method

The Company's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at

various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

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

**iii) Impairment of financial asset**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

There is no need to provide such impairment of financial assets as the company only provide short term loans which are mostly payable on demand there is no significant effect on impairment of financial asset.

**iv) Provisions and other contingent liabilities**

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the probability of outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. The Management believes that the estimates used in preparation of the standalone financial statements are prudent and reasonable.

**2.5 Presentation of the standalone financial statements**

The Company presents its balance sheet in order of liquidity. 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 38.

Financial assets and financial liability 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:

- i) The normal course of business
- ii) The event of default

**3. Summary of significant accounting policies**

**3.1 Recognition of Interest Income**

**A. EIR method**

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost, financial instrument measured at FVOCI and financial instruments designated at FVTPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

**B. Interest income**

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets.

**3.2 Financial Instrument - Initial Recognition**

**A. Date of recognition**

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument.

**B. Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments (Refer note 3.3(A)). All financial assets and liabilities are initially recognized at amortised cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, are adjusted to the cost on initial recognition.

**C. Measurement categories of financial assets and liabilities**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at Amortised cost.

**3.3 Financial assets and liabilities**

**A. Financial Assets**

**Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**SPPI test**

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, the financial assets are measured as follows:

- i) **Financial assets carried at amortised cost ("AC")**  
A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset 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.
- ii) **Financial assets measured at fair value through other comprehensive income ("FVOCI")**  
A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.
- iii) **Financial assets at fair value through profit or loss ("FVTPL")**  
A financial asset which is not classified in any of the above categories are measured at FVTPL.

## **B. Financial Liability**

- i) **Initial recognition and measurement**  
All financial liability are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.
- ii) **Subsequent measurement**  
Financial liabilities are carried at amortized cost using the effective interest method.

### **3.4 Reclassification of financial assets and liabilities**

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in the year 2019-20, 2018-19 and 2017-18.

### **3.5 Derecognition of financial assets and 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 contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

Accordingly, gain on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109. Also, the Company recognises servicing income as a percentage of interest spread over tenure of loan in cases where it retains the obligation to service the transferred financial asset.

As per the guidelines of RBI, the company is required to retain certain portion of the loan assigned to parties in its books as Minimum Retention Requirement (MRR). Therefore, it continue to recognise the portion retained by it as MRR.

#### **ii) Financial liability**

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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

### 3.6 Impairment of financial assets

#### A. Overview of the ECL principles

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

- i.) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- ii.) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Based on the above, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3: Loans considered credit impaired. The Company records an allowance for life time ECL.

#### B. The calculation of ECLs

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

- 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 derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.
- LGD 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, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company has calculated Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGDs) to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

#### C. Forward looking information

In its ECL models, the Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.

### 3.7 Write-offs

Financial assets are written off either partially or in their entirety after reasonable efforts for recovery have been made and when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to impairment on financial instrument on the statement of profit and loss.

### 3.8 Determination of fair value

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3.9 Recognition of other income and expenses

Revenue (other than for those items to which Ind AS 109 - Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 - Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

#### A. Interest income on Bank deposits & Other Income

Interest income on Bank deposits is accounted on accrual basis. Other Operating Income such as Service Charges, Stamp and Document Charges etc. are recognised on accrual basis.

#### B. Fees and commission income

Fees and commission income such as stamp and document charges, guarantee commission, service income etc. are recognised on point in time basis.

#### C. Borrowing costs

Borrowing Costs are the interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are charged to the statement of profit and loss for the period for which they are incurred.

### 3.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments



that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### 3.11 **Property, plant and Equipment**

Property, Plant and Equipment are carried at cost, less accumulated depreciation and impairment losses, if any. The cost of Property, Plant and Equipment comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use and other incidental expenses. Subsequent expenditure on Property, Plant and Equipment after its purchase is capitalized only if it is probable that the future economic benefits will flow to the enterprise and the cost of the item can be measured reliably.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives as specified under Schedule II of the Act.

In respect of property, plant and Equipment purchased during the period, depreciation is provided on a pro-rata basis from the date on which such asset is purchased or ready for its intended use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is derecognised.

### 3.12 **Intangible Assets**

The Company's other intangible assets include the value of software and trademark. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

### 3.13 **Impairment of non-financial assets - property, plant and equipment and intangible assets**

The carrying values of assets / cash generating units at the each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and if the carrying amount of these assets exceeds their recoverable amount, impairment loss is recognised in the Statement of Profit and Loss as an expense, for such excess amount. The recoverable amount is the greater of the net selling price and value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

### 3.14 **Leasing**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

#### **Company as a lessee**

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on

contractual terms. Contingent rental payable is recognised as an expense in the period in which they are incurred.

#### **Company as a lessor**

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit and loss, unless the increase is in line with expected general inflation, in which case lease income is recognised based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### **3.15 Provisions, contingent liabilities and contingent assets**

#### **A. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and 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. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

#### **B. Contingent liability**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

#### **C. Contingent Asset**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised and disclosed only when an inflow of economic benefits is probable.

### **3.16 Taxes**

#### **A. Current tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is the amount of tax payable on the taxable income for the period as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or equity.

#### **B. Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or equity.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off.

**C. Goods and services tax / value added taxes paid on acquisition of assets or on incurring expenses**

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or availing of services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**3.17 Earnings Per Share**

Basic earnings per share is computed by dividing the profit after tax (i.e. profit attributable to ordinary equity holders) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit after tax (i.e. profit attributable to ordinary equity holders) as adjusted for after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares, by the weighted average number of equity shares considered for deriving basic earnings per share as increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits, right issue and bonus shares, as appropriate.

**3.18 Dividends on ordinary shares**

The Company recognises a liability to make cash to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**3.19 Cash flow statement**

Cash flows are reported using the indirect method as prescribed under Ind AS 7, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**3.20 Operating cycle**

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**3.21 Use of estimates**

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year.

**4. First time adoption of Ind AS**

The Company has adopted Ind AS with effect from 1st April 2019 with comparatives being restated. Accordingly the impact of transition has been provided in the Opening Reserves as at 1st April 2018. The

figures for the previous period have been restated, regrouped and reclassified wherever required to comply with the requirement of Ind AS and Schedule III.

- i) Fair value as deemed cost exemption  
The Company has elected to measure items of property, plant and equipment and intangible assets at its carrying value at the transition date.
- ii) Derecognition of financial assets and financial liabilities  
The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after April 1, 2018 (the transition date).
- iii) Impairment of financial assets  
The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind ASs, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.

## 5 Cash and Cash Equivalents

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Cash on Hand	2,13,771	2,48,960	2,42,994
<b>Balances with Banks:</b>			
In Current / Cash Credit Accounts	1,43,36,163	86,15,429	1,71,17,942
In Fixed Deposit Accounts	2,85,00,000	2,85,00,000	2,85,00,000
<b>Total Cash and Cash Equivalents</b>	<b>4,30,49,934</b>	<b>3,73,64,389</b>	<b>4,58,60,936</b>

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
<b>Note 6. Loans (At amortised cost)</b>			
(A) (i) Loans repayable on Demand	1,99,07,05,597	94,82,74,719	39,57,59,944
<b>Total (A) - Gross</b>	<b>1,99,07,05,597</b>	<b>94,82,74,719</b>	<b>39,57,59,944</b>
Less: Impairment loss allowance	-	-	-
<b>Total (A) - Net</b>	<b>1,99,07,05,597</b>	<b>94,82,74,719</b>	<b>39,57,59,944</b>
(B) (i) Secured loan	12,04,87,031	-	-
(ii) Unsecured loan	1,87,02,18,566	94,82,74,719	39,57,59,944
<b>Total (B)-Gross</b>	<b>1,99,07,05,597</b>	<b>94,82,74,719</b>	<b>39,57,59,944</b>
Less: Impairment loss allowance	-	-	-
<b>Total (B) - Net</b>	<b>1,99,07,05,597</b>	<b>94,82,74,719</b>	<b>39,57,59,944</b>

Note: 1. Loans granted by the Company are secured against listed shares.

## 6.1 An analysis of changes in the gross carrying amount and the corresponding ECL allowances

(Amount in ₹)

Particulars	FY 2019-20 (Stages)				FY 2018-19 (Stages)			
	1	2	3	4	1	2	3	4
<b>Gross carrying amount opening balance</b>	94,82,18,289	56,430	-	94,82,74,719	39,57,59,944	-	-	39,57,59,944
Assets derecognised or repaid (excluding write offs)	-	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	(11,46,260)	11,46,260	-	-	(56,430)	56,430	-	-

Particulars	FY 2019-20 (Stages)				FY 2018-19 (Stages)			
	1	2	3	4	1	2	3	4
Transfers to Stage 3	-	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	-
New assets originated	1,04,24,30,878	-	-	1,04,24,30,878	55,25,14,775	-	-	55,25,14,775
<b>Gross carrying amount closing balance</b>	<b>1,98,95,02,907</b>	<b>12,02,690</b>	<b>-</b>	<b>1,99,07,05,597</b>	<b>94,82,18,289</b>	<b>56,430</b>	<b>-</b>	<b>94,82,74,719</b>

\* New assets originated are those assets which have remained in stage 1 at the year end.

## 6.2 Reconciliation of ECL balance is given below

(Amount in ₹)

Particulars	FY 2019-20				FY 2018-19			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance - opening balance</b>	23,70,687	5,643	-	23,76,330	-	-	-	-
Addition during the year	26,06,077	1,20,269	-	27,26,346	23,70,687	5,643	-	23,76,330
Reversal during the year	-	(5,643)	-	(5,643)	-	-	-	-
<b>ECL allowance - closing balance</b>	<b>49,76,764</b>	<b>1,20,269</b>	<b>-</b>	<b>50,97,033</b>	<b>23,70,687</b>	<b>5,643</b>	<b>-</b>	<b>23,76,330</b>

Increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk.

## 7 Other financial assets

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Security deposits	1,16,300	1,16,300	1,16,300
Interest accrued but not due on loans and advances	4,11,264	1,34,655	1,21,418
<b>Total Other Financial Assets</b>	<b>5,27,564</b>	<b>2,50,955</b>	<b>2,37,718</b>

## 8 Income tax assets

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Advance Tax and TDS Receivable	2,46,47,292	1,74,21,179	1,91,66,901
<b>Total Income Tax Assets</b>	<b>2,46,47,292</b>	<b>1,74,21,179</b>	<b>1,91,66,901</b>

## 9 Income tax

(Amount in ₹)

The components of income tax expense for the years ended 31 March 2020 and 2019 are:	2019-20	2018-19
Current tax	1,32,75,000	1,22,00,000
Adjustment in respect of current income tax of prior years	-	-
Deferred tax	(68,937)	(55,596)
<b>Total tax charge</b>	<b>1,32,06,063</b>	<b>1,21,44,404</b>
Current tax	1,32,75,000	1,22,00,000
Deferred tax	(68,937)	(55,596)

### 9.1 Deferred tax

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019
<b>Deferred Tax Asset / Liability (Net)</b>		
The movement on the deferred tax account is as follows:		
At the start of the year DTA / (DTL)	4,22,458	3,66,862
Credit/(Charge) to Statement of Profit and Loss	(68,937)	55,596
<b>At the end of year DTA / (DTL)</b>	<b>3,53,521</b>	<b>4,22,458</b>

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense:

(Amount in ₹)

	As at 31 March 2019	Credit / (Charge) to Profit or Loss	As at 31 March 2020
Component of Deferred tax asset / (liability)			
Deferred tax asset / (liability) in relation to:			
Difference between written down value of fixed assets as per books of accounts and income tax	4,22,458	(68,937)	3,53,521
Impairment on financial assets	-	-	-
<b>Total</b>	<b>4,22,458</b>	<b>(68,937)</b>	<b>3,53,521</b>

(Amount in ₹)

	As at 1 April 2018	Credit / (Charge) to Profit or Loss	As at 31 March 2019
Component of Deferred tax asset / (liability)			
Deferred tax asset / (liability) in relation to:			
Difference between written down value of fixed assets as per books of accounts and income tax	3,66,862	55,596	4,22,458
Impairment on financial assets	-	-	-
<b>Total</b>	<b>3,66,862</b>	<b>55,596</b>	<b>4,22,458</b>

#### 10 Property, Plant and Equipment and Intangible assets

(Amount in ₹)

Nature of Assets	Property, Plant and Equipment (a)				Intangible Assets (b)		
<b>At Deemed Cost</b>							
<b>At 1 April 2018</b>	14,884	3,500	22,06,063	22,24,447	7,098	-	7,098
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>14,884</b>	<b>3,500</b>	<b>22,06,063</b>	<b>22,24,447</b>	<b>7,098</b>	<b>-</b>	<b>7,098</b>
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>14,884</b>	<b>3,500</b>	<b>22,06,063</b>	<b>22,24,447</b>	<b>7,098</b>	<b>-</b>	<b>7,098</b>
<b>Depreciation/Amortisation</b>							
<b>At 1 April 2018</b>	-	-	-	-	-	-	-
Depreciation/Amortization Charge	1,977	-	6,89,050	6,91,027	4,235	-	4,235
Disposal	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>1,977</b>	<b>-</b>	<b>6,89,050</b>	<b>6,91,027</b>	<b>4,235</b>	<b>-</b>	<b>4,235</b>
Depreciation/Amortization Charge	668	-	4,73,830	4,74,498	-	-	-
Disposal	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>2,645</b>	<b>-</b>	<b>11,62,880</b>	<b>11,65,525</b>	<b>4,235</b>	<b>-</b>	<b>4,235</b>

#### 11 Other non-financial assets

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Prepaid expenses	1,40,594	2,57,333	3,32,097
Advances to employees	3,33,000	2,12,000	3,36,000
<b>Total other non-financial assets</b>	<b>4,73,594</b>	<b>4,69,333</b>	<b>6,68,097</b>

**12 Borrowings (Other than Debt Securities) (At amortised cost)**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
(a) Working Capital Loan			
(i) from Banks	99,52,428	86,87,721	1,16,39,765
(d) Loans repayable on demand			
(i) from other parties	1,69,00,35,521	67,44,29,698	14,92,30,414
<b>Total (A)</b>	<b>1,69,99,87,949</b>	<b>68,31,17,419</b>	<b>16,08,70,179</b>
Borrowings in India	1,69,99,87,949	68,31,17,419	16,08,70,179
Borrowings outside India	-	-	-
<b>Total (B) to tally with (A)</b>	<b>1,69,99,87,949</b>	<b>68,31,17,419</b>	<b>16,08,70,179</b>

**13 Other financial liabilities**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Unclaimed Dividend	7,95,506	10,03,841	11,83,241
<b>Total other financial liabilities</b>	<b>7,95,506</b>	<b>10,03,841</b>	<b>11,83,241</b>

**14 Provisions**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Proposed Equity Final Dividend	-	-	-
Tax on Proposed Equity Final Dividend	-	-	-
Current Tax	1,32,75,000	1,22,00,000	1,16,00,000
Tax of earlier years	54,70,508	54,70,508	54,70,508
Contingent Provision for Standard Assets	49,76,764	23,70,687	-
Sub Standard Assets	1,20,269	5,643	-
<b>Total Provisions</b>	<b>2,38,42,541</b>	<b>2,00,46,838</b>	<b>1,70,70,508</b>

**15 Other non-financial liabilities**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Statutory remittances	94,92,060	11,18,042	13,58,233
<b>Total other non-financial liabilities</b>	<b>94,92,060</b>	<b>11,18,042</b>	<b>13,58,233</b>

**16 Equity shares capital**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Authorized Shares:			
1,10,00,000 Equity Shares of ₹ 10 each (As at 31 March 2020: 11,000,000 Equity Shares of ₹ 10 each) (As at 1 April 2018: 11,000,000 Equity Shares of ₹ 10 each)	11,00,00,000	11,00,00,000	11,00,00,000
Issued, Subscribed and Fully Paid-Up Shares:			
1,08,18,000 Equity Shares of ₹ 10 each fully paid up (As at 31 March 2020: 10,818,000 Equity Shares of ₹ 10 each) (As at 1 April 2018: 10,818,000 Equity Shares of ₹ 10 each)	10,81,80,000	10,81,80,000	10,81,80,000
	<b>10,81,80,000</b>	<b>10,81,80,000</b>	<b>10,81,80,000</b>

**16.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:**

(Amount in ₹)

Particulars	As at 31 March 2020		As at 31 March 2019		As at 31 March 2018	
	No. of Shares	(Amount in ₹)	No. of Shares	(Amount in ₹)	No. of Shares	(Amount in ₹)
Equity Shares						
Outstanding at the beginning of the year						
Issued during the year	1,08,18,000	10,81,80,000	1,08,18,000	10,81,80,000	1,08,18,000	10,81,80,000
Bonus issue during the year	-	-	-	-	-	-
Outstanding at the end of the year	-	-	-	-	-	-

**16.2 Details of shares held by each shareholder holding more than 5% shares**

(Amount in ₹)

Class of shares / Name of shareholder	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity Shares						
Khandwala Commercial Private Limited	80,50,000	74.41%	80,50,000	74.41%	80,50,000	74.41%

**16.3 Terms / rights attached to equity shares**

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

**17 Other equity**

(Amount in ₹)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Reserve fund			
Opening Balance of Special Reserve	5,41,77,268	4,85,29,000	4,25,26,704
Add:			
Amount of Special Reserve	74,73,586	56,48,268	60,02,296
Less:			
Amount withdrawn from Special Reserve	-	-	-
Closing Balance of Special Reserve	6,16,50,854	5,41,77,268	4,85,29,000
Securities Premium			
Outstanding at the beginning of the year	4,86,81,000	4,86,81,000	4,86,81,000
Additions during the year	-	-	-
Outstanding at the end of the year	4,86,81,000	4,86,81,000	4,86,81,000
Surplus in Statement of Profit and Loss			
Outstanding at the beginning of the year	8,92,26,814	7,83,52,230	5,43,43,048
Add: Opening Ind AS Adjustment	-	-	-
Add: Profit for the year	3,93,90,621	2,82,41,342	3,00,11,478
	12,86,17,435	10,65,93,572	8,43,54,526
Less : Appropriations:			



Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Special Reserve	74,73,586	56,48,268	60,02,296
Dividend on Equity Shares	1,08,18,000	97,36,200	-
Dividend Distribution Tax on Equity Dividend	22,24,042	19,82,290	-
Total Appropriations	2,05,15,628	1,73,66,758	60,02,296
Net Surplus in Statement of Profit and Loss	10,81,01,807	8,92,26,814	7,83,52,230
Total Other Equity	21,84,33,661	19,20,85,082	17,55,62,230

### 17.1 Nature and purpose of reserve

#### 1 Special reserve

Special Reserve is created as required under Section 45-IC of the RBI Act.

#### 2 Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of section 52 the Companies Act, 2013.

#### 3 Surplus in Statement of Profit and Loss

Surplus in Statement of Profit and Loss is the accumulated available profit for the company carried forward from earlier years. These reserve are free reserves which can be utilised for any purpose as may be required.

### 18 Interest Income (On Financial assets measured at Amortised Cost)

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Interest on loans	15,35,07,529	5,09,64,320
<b>Total</b>	<b>15,35,07,529</b>	<b>5,09,64,320</b>

### 19 Training income

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Training Income	12,99,614	-
<b>Total</b>	<b>12,99,614</b>	<b>-</b>

### 20 Fees and Commission Income

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Management / Corporate Advisory fees	-	40,00,000
Mutual Fund Distribution Commission	11,27,314	39,77,149
<b>Total</b>	<b>11,27,314</b>	<b>79,77,149</b>

### 21 Other income

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Income from non-financing activity	23,710	50,573
<b>Total</b>	<b>23,710</b>	<b>50,573</b>

**22 Finance costs (On Financial liabilities measured at Amortised Cost)**

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Interest on borrowings		
(a) Banks	3,81,306	4,13,701
(b) Others	9,49,76,597	1,09,99,434
<b>Total</b>	<b>9,53,57,903</b>	<b>1,14,13,135</b>

**23 Impairment on financial instruments (On Financial instruments measured at Amortised Cost)**

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Contingent Provision for Standard Assets	26,06,077	23,70,687
Provision for Sub standard Assets	1,14,626	5,643
<b>Total</b>	<b>27,20,703</b>	<b>23,76,330</b>

Note: The disclosure requirements of splitting the loss allowance between “individually” and “collectively” assessed allowances as per Ind AS 107 is not applicable to the Company as it has determined loss allowances on collective basis only.

**24 Employee Benefits Expense**

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and wages	27,80,799	21,44,210
Staff welfare expenses	-	7,814
Director Remuneration	6,00,000	6,00,000
<b>Total</b>	<b>33,80,799</b>	<b>27,52,024</b>

**25 Depreciation and amortization**

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Depreciation on Property, Plant & Equipment	4,74,498	6,91,027
Amortisation of intangible assets	-	4,235
<b>Total</b>	<b>4,74,498</b>	<b>6,95,262</b>

**26 Other expenses**

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Advertisement Expenses	29,212	48,865
Annual Subscription	2,35,796	3,27,840
Auditor Remuneration	60,000	60,000
Bank Charges	10,304	9,815
Commission	-	-
Demat and Depository (Registrar) Charges	1,180	2,000
Director's Sitting Fees	70,000	80,000
Insurance	11,470	90,703
Interest on Late payment of Statutory Dues	104	15,131
Listing Fees	3,00,000	2,50,000
Miscellaneous Expenses	3,056	16,757
Postage & Courier	995	2,256
Power and Fuel Expense	92,050	1,22,840
Printing and Stationery Expense	8,400	8,551
Legal and Professional Fees (Refer note below)	3,74,626	1,86,264
Rates & Taxes	9,523	7,959
Rent (Refer note no. 28)	60,000	60,000
Repairs & Maintenance:		

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Computers	22,990	18,347
Vehicle	-	33,519
SEBI Registration Fees (Investment Advisor)	-	20,000
Travelling Expense	-	8,698
<b>Total</b>	<b>12,89,706</b>	<b>13,69,545</b>
<b>Note: Payment to Statutory Auditors (excluding Taxes)</b>		
For Statutory Audit Fees	50,000	50,000
For Other Services	10,000	10,000
<b>Total</b>	<b>60,000</b>	<b>60,000</b>

### 27 Earnings per share

(Amount in ₹)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
<b>(A) Basic</b>		
<b>Computation of Profit (Numerator)</b>		
Net Profit for the year	3,93,90,621	2,82,41,342
<b>Net Profit for the year attributable to Equity Shareholders</b>	<b>3,93,90,621</b>	<b>2,82,41,342</b>
<b>Computation of Weighted Average Number of Shares (Denominator)</b>	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of Equity Shares of ₹ 10 each used for calculation of Basic Earnings per Share	1,08,18,000	1,08,18,000
Basic Earnings per Share of face value of ₹ 10 each (in ₹)	3.64	2.61
<b>(B) Diluted</b>		
<b>Net Profit attributable to Equity Shareholder's as above</b>	<b>3,93,90,621</b>	<b>2,82,41,342</b>
<b>Computation of Weighted Average Number of Shares (Denominator)</b>	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of Equity Shares as above	1,08,18,000	1,08,18,000
Diluted Earnings per Share of face value of ₹ 10 each (in ₹)	3.64	2.61

### 28 Leasing arrangements

Operating lease commitments – company as lessee

The Company has entered into lease and license agreements for taking office premises on rental basis ranging from 11 to 72 months. The specified disclosure in respect of these agreements is given below:

(Amount in ₹)

Particulars	Year ended 31st March 2020	Year ended 31st March 2019
1. Lease payments recognised in the Statement of Profit and Loss	60,000	60,000
Note:- i. The company has given refundable, interest free security deposits under certain Agreements. ii. Certain agreements contain a provision for their renewal and further there are no sub-leases.		

### 29 Segment reporting

The company is engaged primarily in the business of financing and all its operations are in India only. Accordingly, there is no separate reportable segment as per Ind AS 108 on 'Operating Segments'.

### 30 Related party disclosures

(a) Related party disclosures as required by Indian Accounting Standard 24, "Related Party Disclosures".

**List of related parties and relationships:**

Sr. no.	Nature of Relationship	
1	Holding company	Khandwala Commercial Private Limited
2	Key Management Personnel	Rajesh P. Khandwala Bhavik J. Shah Durgesh D. Soni
3	Other Related Parties (i) Associate Company	Khandwala Finstock Private Limited KIFS Trading LLP KIFS Motor Private Limited KIFS International LLP KIFS Trade Capital Private Limited KIFS Housing Finance Private Limited SKZ Developers
	(ii) Relatives of Key Management Personnel	Jayesh P. Khandwala Vimal P. Khandwala Minaxi P. Khandwala Kinnari J. Khandwala Sonal R. Khandwala Priyanka V. Khandwala

**Transactions with related parties are as follows:**

(Amount in ₹)

Particulars	Year ended 31 March 2020			
	Holding / Associate Company	Key management personnel	Other Related Parties	Total
Inter-corporate Loan Taken (Max. balance during the year)	-	-	-	-
Inter-corporate Loan Given (Max. Balance during the year)	1,73,63,46,000	-	-	1,73,63,46,000
Interest Received on loans	3,54,82,000	-	-	3,54,82,000
Interest Paid on Loans	-	-	-	-
Reimbursement of Expense	1,20,000	-	-	1,20,000
Remuneration (Including Bonus)	-	15,75,000	-	15,75,000
Dividend Paid	80,50,000	-	-	80,50,000
Sitting fees	-	70,000	-	70,000

(Amount in ₹)

Particulars	Year ended 31 March 2019			
	Holding / Associate Company	Key management personnel	Other Related Parties	Total
Inter-corporate Loan Taken (Max. balance during the year)	14,45,95,000	-	-	14,45,95,000
Inter-corporate Loan Given (Max. Balance during the year)	32,21,00,000	-	-	32,21,00,000
Interest Received on loans	42,42,000	-	-	42,42,000
Interest Paid on Loans	49,76,000	-	-	49,76,000
Reimbursement of Expense	1,20,000	-	-	1,20,000
Remuneration (Including Bonus)	-	14,32,750	-	14,32,750
Dividend Paid	72,45,000	-	-	72,45,000
Sitting fees	-	80,000	-	80,000

**Balances outstanding from related parties are as follows:**

(Amount in ₹)

Particulars	As at March 31, 2020			
	Holding / Associate Company	Key management personnel	Other Related Parties	Total
Inter-corporate Loan Taken	14,45,95,000	-	-	14,45,95,000
Inter-corporate Loan Given	32,21,00,000	-	-	32,21,00,000

(Amount in ₹)

Particulars	As at March 31, 2019			
	Holding / Associate Company	Key management personnel	Other Related Parties	Total
Inter-corporate Loan Taken	39,78,000			39,78,000
Inter-corporate Loan Given	2,44,67,000			2,44,67,000

(Amount in ₹)

Particulars	As at March 31, 2018			
	Holding / Associate Company	Key management personnel	Other Related Parties	Total
Inter-corporate Loan Taken	9,42,30,000			9,42,30,000
Inter-corporate Loan Given	2,01,42,000			2,01,42,000

All transactions with these related parties are priced on an arm's length basis.

**Related party transactions:**

(Amount in ₹)

Nature of transactions	Year ended 31 March 2020	Year ended 31 March 2019
<b>Remuneration:</b>		
Rajesh Khandwala	6,00,000	6,00,000
Bhavik J Shah (Chief Financial Officer)	4,63,000	4,21,200
Durgesh Soni (Company Secretary)	5,12,000	4,11,550
<b>Director Sitting Fees:</b>		
Devang M shah	40,000	40,000
Dharmendra N Soni	30,000	40,000

31 The Company has not received any intimation from vendors regarding their status under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. In view of this, information required under section 22 of MSMED Act, 2006 to that extent is not given.

**32 Details of Total Non-Performing Assets (NPA) and % of Total Assets Under Management (AUM) are as follow:**

(Amount in ₹)

Particulars	As at 31.03.2020	As at 31.03.2019
AUM	1,99,07,05,597	94,82,74,719
Gross NPA on AUM	12,02,690	56,430
Net NPA on AUM	12,02,690	56,430
Gross NPA as % of AUM	0.06%	0.01%
Net NPA as % of AUM	0.06%	0.01%

33 Balances of trade payables and loans and advances are subject to confirmation. Adjustments, if any required, will be made on settlement of the account of the parties.

**34 Financial Instrument and Fair Value Measurement****(A) Accounting classifications and fair values**

The carrying amount and fair value of financial instruments including their levels in the fair value hierarchy presented below:

(Amount in ₹)

As at 31 March 2020	Carrying amount	Amortised cost	Fair value			
			Level 1	Level 2	Level 3	Level 4
<b>Financial assets</b>						
Cash and cash equivalents	4,30,49,934	4,30,49,934	-	-	-	-
Loans	1,99,07,05,597	1,99,07,05,597	-	-	-	-
Security deposits	1,16,300	1,16,300	-	-	1,16,300	1,16,300
Interest Accrued on Loans and Advances	4,11,264	4,11,264	-	-	-	-
	<b>2,03,42,83,095</b>	<b>2,03,42,83,095</b>	-	-	<b>1,16,300</b>	<b>1,16,300</b>
<b>Financial liabilities</b>						
Trade Payables	87,570	87,570	-	-	-	-
Borrowings (Other than Debt Securities)	1,69,99,87,949	1,69,99,87,949	-	-	1,69,99,87,949	1,69,99,87,949
Other financial liabilities	7,95,506	7,95,506	-	-	-	-
	<b>1,70,08,71,025</b>	<b>1,70,08,71,025</b>	-	-	<b>1,69,99,87,949</b>	<b>1,69,99,87,949</b>

(Amount in ₹)

As at 31 March 2019	Carrying amount	Amortised cost	Fair value			
			Level 1	Level 2	Level 3	Level 4
<b>Financial assets</b>						
Cash and cash equivalents	3,73,64,389	3,73,64,389	-	-	-	-
Loans	94,82,74,719	94,82,74,719	-	-	-	-
Security deposits	1,16,300	1,16,300	-	-	1,16,300	1,16,300
Interest Accrued on Loans and Advances	1,34,655	1,34,655	-	-	-	-
	<b>98,58,90,063</b>	<b>98,58,90,063</b>	-	-	<b>1,16,300</b>	<b>1,16,300</b>
<b>Financial liabilities</b>						
Trade Payables	1,88,094	1,88,094	-	-	-	-
Borrowings (Other than Debt Securities)	68,31,17,419	68,31,17,419	-	-	68,31,17,419	68,31,17,419
Other financial liabilities	10,03,841	10,03,841	-	-	-	-
	<b>68,43,09,354</b>	<b>68,43,09,354</b>	-	-	<b>68,31,17,419</b>	<b>68,31,17,419</b>

(Amount in ₹)

As at 31 March 2018	Carrying amount	Amortised cost	Fair value			
			Level 1	Level 2	Level 3	Level 4
<b>Financial assets</b>						
Cash and cash equivalents	4,58,60,936	4,58,60,936	-	-	-	-
Loans	39,57,59,944	39,57,59,944	-	-	-	-
Security deposits	1,16,300	1,16,300	-	-	1,16,300	1,16,300
Interest Accrued on Loans and Advances	1,21,418	1,21,418	-	-	-	-
	<b>44,18,58,598</b>	<b>44,18,58,598</b>	-	-	<b>1,16,300</b>	<b>1,16,300</b>
<b>Financial liabilities</b>						
Trade Payables	67,612	67,612	-	-	-	-
Borrowings (Other than Debt Securities)	16,08,70,179	16,08,70,179	-	-	16,08,70,179	16,08,70,179
Other financial liabilities	11,83,241	11,83,241	-	-	-	-
	<b>16,21,21,032</b>	<b>16,21,21,032</b>	-	-	<b>16,08,70,179</b>	<b>16,08,70,179</b>

## B Measurement of fair values

### i. Valuation techniques and significant unobservable inputs

The carrying amounts of financial assets and liabilities which are at amortised cost are considered to be the same as their fair values as there is no material differences in the carrying values presented.

### ii. Financial instruments - fair value

The fair value of financial instruments as referred to in note (A) above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurement).

The categories used are as follows:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices;

Level 2: The fair value of financial instruments that are not traded in active market is determined using valuation technique which maximizes the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value on instrument are observable, the instrument is included in level 2; and

Level 3: If one or more of significant input is not based on observable market data, the instrument is included in level 3.

### iii. Transfers between levels I and II

There has been no transfer in between level I and level II.

## C Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulator.

Company has complied in full with all its externally imposed capital requirements over the reported period. Equity share capital and other equity are considered for the purpose of Company's capital management.

### 1 Capital Management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements 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.

## 2 Regulatory capital

(Amount in ₹)

Particulars	2020	2019	2018
Tier 1 Capital	10,81,80,000	10,81,80,000	10,81,80,000
Tier 2 Capital	-	-	-
<b>Total Capital</b>	<b>10,81,80,000</b>	<b>10,81,80,000</b>	<b>10,81,80,000</b>

## 35 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loan and advances, cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### 1) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and loans.

The carrying amounts of financial assets represent the maximum credit risk exposure.

### Loans and advances

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - Financial instruments. The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the ageing buckets is summarised below:



(Amount in ₹)

Days past due	31 March 2020	31 March 2019
Stage I	0.25%	0.25%
Stage II	10.00%	10.00%
Stage III	100.00%	100.00%
<b>Amount of expected credit loss provided for</b>	<b>50,97,033</b>	<b>23,76,330</b>

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

**Movement of ECL:**

(Amount in ₹)

Particulars	2019-20	2018-19
Opening provision of ECL	23,76,330	-
Addition during the year	27,20,703	23,76,330
<b>Closing provision of ECL</b>	<b>50,97,033</b>	<b>23,76,330</b>

Cash and cash equivalent and Bank deposits

Credit risk on cash and cash equivalent and bank deposits is limited as the Company generally invests in term deposits with banks.

**2) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due.

The Company monitors its risk of a shortage of funds by estimating the future cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash credit facilities and bank loans. The Company has access to a sufficient variety of sources of funding.

The composition of the Company's liability mix ensures healthy asset liability maturity pattern and well diverse resource mix.

**3) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**3.1 Interest Rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment in bank deposits and variable interest rate borrowings and lending. The interest rates for the tenure of the fixed deposits are fixed. However, with the continuous decrease in the returns on fixed deposits, the income earned on such deposits may change in future based on the interest rates.

The sensitivity analysis have been carried out based on the exposure to interest rates for bank deposits, lending and borrowings carried at variable rate.

The company has mainly obtained short term loan which are repayable on demand, Further the company has mainly given Short Term Advances which are also repayable on demand, besides most of the loans given and loans taken are fixed interest loan and therefore there is not significant / material effect of interest rate due.

### 3.2 Foreign Currency Risk

The company does not have any instrument denominated or traded in foreign currency. Hence, such risk does not affect the company.

### 36 Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to profit and loss account:

(Amount in ₹)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Type of income</b>		
Services charges	-	-
Others	11,27,314	79,77,149
<b>Total revenue from contracts with customers</b>	<b>11,27,314</b>	<b>79,77,149</b>
<b>Geographical markets</b>		
India	11,27,314	79,77,149
Outside India	-	-
<b>Total revenue from contracts with customers</b>	<b>11,27,314</b>	<b>79,77,149</b>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	11,27,314	79,77,149
Services transferred over time	-	-
<b>Total revenue from contracts with customers</b>	<b>11,27,314</b>	<b>79,77,149</b>

37 There have been no events after the reporting date that require disclosure in these financial statements.

**38 Maturity analysis of assets and liabilities**

Particulars	31 March 2020			31 March 2019			April 1, 2018		
	Within 12 months	After 12 months	Total	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	4,30,49,934	-	4,30,49,934	3,73,64,389	-	3,73,64,389	4,58,60,936	-	4,58,60,936
Loans	1,99,07,05,597	-	1,99,07,05,597	94,82,74,719	-	94,82,74,719	94,82,74,719	-	94,82,74,719
Other Financial assets	5,27,564	-	5,27,564	2,50,955	-	2,50,955	2,37,718	-	2,37,718
<b>Non-Financial Assets</b>									
Income tax assets (net)	-	2,46,47,292	2,46,47,292	-	1,74,21,179	1,74,21,179	-	1,91,66,901	1,91,66,901
Deferred tax Assets (Net)	3,53,521	-	3,53,521	4,22,458	-	4,22,458	3,66,862	-	3,66,862
Property, Plant and Equipment	-	10,58,922	10,58,922	-	15,33,420	15,33,420	-	22,24,447	22,24,447
Other Intangible assets	-	2,863	2,863	-	2,863	2,863	-	7,098	7,098
Other non-financial assets	4,73,594	-	4,73,594	4,69,333	-	4,69,333	6,68,097	-	6,68,097
<b>Total Assets</b>	<b>2,03,51,10,210</b>	<b>2,57,09,977</b>	<b>2,06,08,19,287</b>	<b>98,67,81,854</b>	<b>1,89,57,462</b>	<b>1,00,57,39,316</b>	<b>99,54,08,332</b>	<b>2,13,98,446</b>	<b>1,01,68,06,778</b>
<b>LIABILITIES</b>									
<b>Financial Liabilities</b>									
Other Payables									
(i) Total outstanding dues of creditors other than micro enterprises and small enterprises	87,570	-	87,570	1,88,094	-	1,88,094	67,612	-	67,612
Borrowings (Other than Debt Securities)	1,69,99,87,949	-	1,69,99,87,949	68,31,17,419	-	68,31,17,419	16,08,70,179	-	16,08,70,179
Other financial liabilities	7,95,506	-	7,95,506	10,03,841	-	10,03,841	11,83,241	-	11,83,241
<b>Non-Financial Liabilities</b>									
Provisions	1,83,72,033	54,70,508	2,38,42,541	1,45,76,330	54,70,508	2,00,46,838	1,16,00,000	54,70,508	1,70,70,508
Other non-financial liabilities	94,92,060	-	94,92,060	11,18,042	-	11,18,042	13,58,233	-	13,58,233
<b>Total Liability</b>	<b>1,72,87,35,118</b>	<b>54,70,508</b>	<b>1,73,42,05,626</b>	<b>70,00,03,726</b>	<b>54,70,508</b>	<b>70,54,74,234</b>	<b>17,50,79,265</b>	<b>54,70,508</b>	<b>18,05,49,773</b>
<b>Net</b>	<b>30,63,75,092</b>	<b>2,02,38,569</b>	<b>32,66,13,661</b>	<b>28,67,78,128</b>	<b>1,34,86,954</b>	<b>30,02,65,082</b>	<b>82,03,29,067</b>	<b>1,59,27,938</b>	<b>83,62,57,005</b>

### 39 Explanation to transition to Ind AS

As stated in Note 2, these are the Company's first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2019, the company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended 31 March 2020 including the comparative information for the year ended 31 March 2019 and the opening Ind AS balance sheet on the date of transition i.e. 1 April 2018.

In preparing the Ind AS balance sheet as at 1 April 2018 and in presenting the comparative information for the year ended 31 March 2019, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows.

#### Optional exemptions availed and mandatory exceptions

In preparing these financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

#### A. Optional exemptions availed

Property plant and equipment and intangible assets

As per Ind AS 101 an entity may elect to:

- (i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date
- (ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
  - fair value;
  - or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

(iii) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible assets also."

#### B. Mandatory exceptions

##### 1. Accounting estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition

(for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Impairment of financial assets based on the expected credit loss model.
- Determination of the discounted value for financial instruments carried at amortised cost.

## 2. Derecognition of financial assets and liabilities

As per Ind AS 101, an entity should apply the derecognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occurring on or after the date of transition to Ind AS. However, an entity may apply the derecognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition criteria for financial assets/liabilities prospectively. Hence, it has not recognised any financial assets/financial liabilities previously de-recognised.

## 3. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition.

## Reconciliation of equity

(Amount in ₹)

Particulars	Note	As at date of transition 1 April 2018			As at 31 March 2019		
		Previous GAAP#	Adjustment on transition to Ind AS	Ind AS	Previous GAAP#	Adjustment on transition to Ind AS	Ind AS
<b>ASSETS</b>							
<b>Financial assets</b>							
Cash and cash equivalents	5	4,58,60,936	-	4,58,60,936	3,73,64,389	-	3,73,64,389
Loans	6	39,57,59,944	-	39,57,59,944	94,82,74,719	-	94,82,74,719
Other Financial assets	7	2,37,718	-	2,37,718	2,50,955	-	2,50,955
<b>Total Financial Assets</b>		<b>44,18,58,598</b>	<b>-</b>	<b>44,18,58,598</b>	<b>98,58,90,063</b>	<b>-</b>	<b>98,58,90,063</b>
<b>Non-Financial Assets</b>							
Income tax assets (net)	8	1,91,66,901	-	1,91,66,901	1,74,21,179	-	1,74,21,179
Deferred tax Assets (Net)	9	3,66,862	-	3,66,862	4,22,458	-	4,22,458
Property, Plant and Equipment	10(a)	15,33,420	-	-	22,24,447	-	22,24,447
Other	10(b)	7,098	-	7,098	2,863	-	2,863

Particulars	Note	As at date of transition 1 April 2018			As at 31 March 2019		
		Previous GAAP#	Adjustment on transition to Ind AS	Ind AS	Previous GAAP#	Adjustment on transition to Ind AS	Ind AS
Intangible assets							
Other non-financial assets	11	6,68,097	-	6,68,097	4,69,333	-	4,69,333
<b>Total Non Financial Assets</b>		<b>2,17,45,241</b>	<b>-</b>	<b>2,02,08,958</b>	<b>2,05,47,378</b>	<b>-</b>	<b>2,05,47,378</b>
<b>Total Assets</b>		<b>46,36,03,839</b>	<b>-</b>	<b>46,20,67,556</b>	<b>1,00,64,37,441</b>	<b>-</b>	<b>1,00,64,37,441</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>Financial Liabilities</b>							
Payables							
Trade Payables							
(i) total outstanding dues of micro and small enterprises		-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro and small enterprises		67,612	-	67,612	1,88,094	-	1,88,094
							-
Borrowings (Other than Debt Securities)	12	16,08,70,179	-	16,08,70,179	68,31,17,419	-	68,31,17,419
Other financial liabilities	13	11,83,241	-	11,83,241	10,03,841	-	10,03,841
<b>Total Financial Liabilities</b>		<b>16,21,21,032</b>	<b>-</b>	<b>16,21,21,032</b>	<b>68,43,09,354</b>	<b>-</b>	<b>68,43,09,354</b>
<b>Non-Financial Liabilities</b>							
Provisions	14	2,87,88,998	(1,17,18,490)	1,70,70,508	3,30,88,880	(1,30,42,042)	2,00,46,838
Other non-financial liabilities	15	13,58,233	-	13,58,233	11,18,042	-	11,18,042
<b>Total Non Financial</b>		<b>3,01,47,231</b>	<b>(1,17,18,490)</b>	<b>1,84,28,741</b>	<b>3,42,06,922</b>	<b>(1,30,42,042)</b>	<b>2,11,64,880</b>

Particulars	Note	As at date of transition 1 April 2018			As at 31 March 2019		
		Previous GAAP#	Adjustment on transition to Ind AS	Ind AS	Previous GAAP#	Adjustment on transition to Ind AS	Ind AS
<b>Liabilities</b>							
<b>Total Liabilities</b>		<b>19,22,68,263</b>	<b>(1,17,18,490)</b>	<b>18,05,49,773</b>	<b>71,85,16,276</b>	<b>(1,30,42,042)</b>	<b>70,54,74,234</b>
<b>EQUITY</b>							
Equity share capital	16	10,81,80,000		10,81,80,000	10,81,80,000		10,81,80,000
Other Equity	17	16,38,43,740	1,17,18,490	17,55,62,230	17,90,43,040	1,30,42,042	19,20,85,082
<b>Total Equity</b>		<b>27,20,23,740</b>	<b>1,17,18,490</b>	<b>28,37,42,230</b>	<b>28,72,23,040</b>	<b>1,30,42,042</b>	<b>30,02,65,082</b>
<b>Total Liabilities and Equity</b>		<b>46,42,92,003</b>	<b>-</b>	<b>46,42,92,003</b>	<b>1,00,57,39,316</b>	<b>-</b>	<b>1,00,57,39,316</b>

## Reconciliation of Total Comprehensive Income for the year ended 1 April 2019\*

(Amount in ₹)

Sr. no.	Particulars	Note	Previous GAAP #	Adjustment on transition to Ind AS	Ind AS
I.	<b>Revenue from operations</b>				
	Interest Income	18	5,09,64,320	-	5,09,64,320
	Fees and commission Income	20	79,77,149	-	79,77,149
	<b>Total Revenue from operations</b>		<b>5,89,41,469</b>	-	<b>5,89,41,469</b>
	Other Income		50,573	-	50,573
	<b>Total Income</b>		<b>5,89,92,042</b>	-	<b>5,89,92,042</b>
II.	<b>Expenses</b>				
	Finance Costs	22	1,14,13,135	-	1,14,13,135
	Impairment on financial instruments	23	23,76,330	-	23,76,330
	Employee Benefits Expenses	24	15,33,420	-	15,33,420
	Depreciation, amortization and impairment	25	2,863	-	2,863
	Others expenses	26	13,69,545	-	13,69,545
	<b>Total Expenses</b>		<b>1,66,95,293</b>	-	<b>1,66,95,293</b>
	<b>Profit before exceptional items and tax (I - II)</b>		<b>4,22,96,749</b>	-	<b>4,22,96,749</b>
	Exceptional items		-	-	-
III.	<b>Profit Before Tax</b>		<b>4,22,96,749</b>	-	<b>4,22,96,749</b>
IV.	<b>Tax Expense:</b>				
	Current Tax	9	1,22,00,000	-	1,22,00,000
	Deferred Tax	9	55,596	-	55,596
	<b>Net tax expense</b>		<b>1,21,44,404</b>	-	<b>1,21,44,404</b>
V.	<b>Profit After Tax for the period (III - IV)</b>		<b>3,01,52,345</b>	-	<b>3,01,52,345</b>

\* Ind AS 101 requires reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Ind AS and a reconciliation to its total comprehensive income in accordance with Ind AS for the latest period in the entity's most recent annual financial statements. The company has chosen to provide reconciliation of amount reported in accordance with previous GAAP to amount reported under Ind AS for each line item of balance sheet and statement of profit and loss as an additional disclosure.

# The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

In terms of our report attached  
For **M/s. Bimal Shah Associates**,  
Chartered accountants  
FRN: 101505W

For and on behalf of board of directors of **KIFS Financial Services Limited**

**Rajesh P. Khandwala**  
(Managing director – DIN: 00477673)

**Devang M. Shah**  
(Director – DIN: 01788760)

**Bimal Arvindbhai Shah**  
(Proprietor)  
(Membership no.: 042372)

**Durgesh D. Soni**  
(Company secretary – A38670)

**Bhavik J. Shah**  
(Chief financial officer)

Ahmedabad, June 29, 2020  
UDIN: 20042372AAAAAP9979

Ahmedabad, June 29, 2020







**A KHANDWALA INTERGRATED VENTURE**

**Registered office**

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