

INDEPENDENT AUDITOR'S REPORT

To

The Board of Directors of KIFS Housing Finance Private Limited

Opinion

We have audited the accompanying Financial Statements of **KIFS Housing Finance Private Limited** ("the Company"), which comprise the balance sheet as at 31st December, 2019 and the Statement of Profit and Loss for the period from 1st April, 2019 to 31st December, 2019 including a summary of significant accounting policies (hereinafter referred to as "Financial Statements").

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st December, 2019 and its profit for the aforesaid period.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those 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 thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

Manubhai & Shah LLP, a Limited Liability Partnership with LLP identity No.AAG-0878

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The Board of Directors is 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 the 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 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.
- 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 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.

FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS

ICAI Firm Registration No.: 106041W/W100136


DARSHAN SHAH
PARTNER
Membership No.: 131508
UDIN: 20131508AAAAAA5836



Mumbai, January 20, 2020

KIFS Housing Finance Private Limited
CIN:U65922GJ2015PTC085079
Balance Sheet as at 31st December 2019

| Particulars | Note No. | As at 31-Dec-19 | As at 31-Mar-19 |
|---|------------------|----------------------|----------------------|
| I EQUITY AND LIABILITIES: | | | |
| (1) Shareholders' fund: | | | |
| (a) Share capital | 3 | 2,350,618,900 | 1,499,519,870 |
| (b) Reserves and surplus | 4 | 164,174,390 | 46,253,056 |
| | (A) | 2,514,793,290 | 1,545,772,926 |
| (2) Share application money pending allotment | (B) | - | 200,738,940 |
| (3) Non-current liabilities: | | | |
| (a) Long-term borrowings | 5 | 551,426,891 | 150,749,971 |
| (b) Long-term provisions | 6 | 22,993,186 | 14,546,178 |
| | (C) | 574,420,077 | 165,296,149 |
| (4) Current liabilities: | | | |
| (a) Short-term borrowings | 7 | 67,228,566 | - |
| (b) Trade payables | 8 | | |
| (i) Total outstanding dues of Micro enterprises and Small Enterprises | | - | - |
| (ii) Total outstanding dues of creditors other than Micro enterprises and Small Enterprises | | 72,461 | - |
| (c) Other current liabilities | 9 | 369,436,949 | 357,887,420 |
| (d) Short-term provisions | 10 | 41,253,543 | 14,480,606 |
| | (D) | 477,991,519 | 372,368,026 |
| Total | (A+B+C+D) | 3,567,204,886 | 2,284,176,041 |
| II ASSETS: | | | |
| (1) Non-current assets: | | | |
| (a) Property, Plant and Equipment | 11 | | |
| (i) Tangible assets | | 16,376,762 | 15,727,225 |
| (ii) Intangible assets | | 363,480 | 449,014 |
| (iii) Intangible assets under development | | 1,526,000 | 1,526,000 |
| (b) Long-term loans and advances | 12 | 3,057,128,663 | 1,780,716,152 |
| (c) Deferred tax assets (net) | 13 | 7,023,806 | 5,062,196 |
| (d) Other Non-Current assets | 14 | 134,546,336 | 10,046,336 |
| | (E) | 3,216,965,047 | 1,813,526,923 |
| (2) Current assets: | | | |
| (a) Trade receivable | 15 | 24,003,093 | 3,880,915 |
| (b) Cash and bank balances | 16 | 139,403,945 | 197,313,401 |
| (c) Short-term loans and advances | 17 | 85,597,465 | 257,474,909 |
| (d) Other Current Assets | 18 | 31,108,368 | 11,979,893 |
| (e) Investment | 19 | 70,126,968 | - |
| | (F) | 350,239,839 | 470,649,118 |
| Total | (E+F) | 3,567,204,886 | 2,284,176,041 |

Significant accounting policies and notes to financial statements

1 to 25

The notes referred above form an integral part of the financial statements

As per our report of even date attached

For Manubhai & Shah LLP

Chartered Accountants

Firm Registration No. 106041W/W100136


(Darshan Shah)
Partner
Membership No.131508



For and on behalf of the Board of Directors of
KIFS Housing Finance Private Limited

(Vimal P Khandwala)
Managing Director :DIN.00477768

(Deepak Kumar Ajmera)
(Chief Financial officer)
PAN-AIHPA5872B

(Padmanabh Vora)
Director :DIN.00003192

(Tejal Gala)
(Company Secretary)
M.No. ACS - 54456



Place: Mumbai
Date: 20th January, 2020

Place: Mumbai
Date: 20th January, 2020

KIFS Housing Finance Private Limited

CIN:U65922GJ2015PTC085079

Statement of profit and loss for the period from 01st April 2019 to 31st December 2019

| Particulars | Note | 01st April 2019 to 31st December 2019 | Year ended 31-Mar-19 |
|--|------|--|-------------------------|
| | No. | | |
| Income | | | |
| Revenue from Operations | 20 | 337,403,570 | 206,131,674 |
| Other Income | 21 | 9,414,838 | 5,135,725 |
| Total Revenue | (A) | 346,818,408 | 211,267,399 |
| Expenses | | | |
| Employee benefit expenses | 22 | 102,456,041 | 91,448,336 |
| Finance cost | 23 | 40,582,965 | 6,843,504 |
| Depreciation and amortisation expenses | 11 | 3,132,725 | 3,955,797 |
| Provision for Contingencies | 24 | 4,608,895 | 6,577,195 |
| Other expenses | 25 | 38,971,601 | 42,784,168 |
| Total Expenses | (B) | 189,752,227 | 151,609,000 |
| Profit/(Loss) before tax (A - B) | (C) | 157,066,181 | 59,658,399 |
| Less: Tax Expense: | | | |
| Current Tax | | 41,106,457 | 21,193,312 |
| Short/(Excess) provision of tax for earlier year | | - | 111,645 |
| Deferred Tax | | (1,961,610) | (2,623,420) |
| | (D) | 39,144,847 | 18,681,537 |
| Profit/(Loss) for the Period (C - D) | (E) | 117,921,334 | 40,976,862 |
| Earning per share (face value Rs. 10/- each): | | | |
| Basic and Diluted | | 0.55 | 0.35 |

Significant accounting policies and notes to financial statements

1 to 25

The notes referred above form an integral part of the financial statements

As per our report of even date attached

For Manubhai & Shah LLP

Chartered Accountants

Firm Registration No. 106041W/W100136

For and on behalf of the Board of Directors of
KIFS Housing Finance Private Limited

(Darshan Shah)

Partner

Membership No.131508

(Vimal P Khandwala)

Managing Director :DIN.00477768

(Deepak Kumar Ajmera)

(Chief Financial officer)

PAN-AIHPA5872B

(Padmanabh Vora)

Director :DIN.00003192

(Tejal Gala)

(Company Secretary)

M.No. ACS - 54456

Place: Mumbai

Date: 20th January, 2020

Place: Mumbai

Date: 20th January, 2020

KIFS Housing Finance Private Limited
Notes to the financial statement for the period ended 31st December 2019

3 Share capital:

3.1 Authorised, Issued, Subscribed and Paid- Up Capital:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Authorised | | |
| 250,000,000 (previous year: 200,000,000) equity shares of Rs.10/- each | 2,500,000,000 | 2,000,000,000 |
| | 2,500,000,000 | 2,000,000,000 |
| Issued , Subscribed and Paid Up | | |
| 235,061,890 (previous year: 149,951,987) equity shares of Rs. 10/- each, fully paid | 2,350,618,900 | 149 95 19 870 |
| | 2,350,618,900 | 1,499,519,870 |

Notes:

- The Company has only one class of equity shares having face value of Rs.10 each. Each holder of equity shares is entitled to one vote per share.
- Increase in Paid-up Share Capital facilitated by issuing 2,49,83,336 Equity Shares at face value of Rs. 10/- on 17th September 2018. Shares fully subscribed by M/s. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 1,01,14,711 Equity Shares at face value of Rs. 10/- on 11th December 2018. Shares fully subscribed by M/s. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 1,49,20,596 Equity Shares at face value of Rs. 10/- on 22nd February 2019. Shares fully subscribed by M/s. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 2,00,73,894 Equity Shares at face value of Rs. 10/- on April 12, 2019. Shares fully subscribed by M/S. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 1,00,01,524 Equity Shares at face value of Rs. 10/- on May 02, 2019. Shares fully subscribed by M/S. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 1,89,50,253 Equity Shares at face value of Rs. 10/- on June 28, 2019. Shares fully subscribed by M/S. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 2,60,10,151 Equity Shares at face value of Rs. 10/- on July 25, 2019. Shares fully subscribed by M/S. KIFS International LLP
- Increase in Paid-up Share Capital facilitated by issuing 1,00,74,081 Equity Shares at face value of Rs. 10/- on December 24, 2019. Shares fully subscribed by M/S. KIFS International LLP
- In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

3.2 Reconciliation of number of shares:

| Particulars | As at Dec 31, 2019 | | As at March 31, 2019 | |
|------------------------------|--------------------|----------------------|----------------------|----------------------|
| | No. of Shares | Amount in Rs. | No. of Shares | Amount in Rs. |
| At the beginning of the year | 149,951,987 | 1,499,519,870 | 99,933,344 | 999,333,440 |
| Issued during the year | 85,109,903 | 851,099,030 | 50,018,643 | 500,186,430 |
| Repaid during the year | - | - | - | - |
| At the end of the year | 235,061,890 | 2,350,618,900 | 149,951,987 | 1,499,519,870 |

3.3 The details of shareholders holding more than 5 % of issued share capital as on December 31, 2019 is set out below:

| Name of Shareholder | As at Dec 31, 2019 | | As at March 31, 2019 | |
|------------------------|--------------------|--------|----------------------|--------|
| | No. of Shares | % | No. of Shares | % |
| KIFS International LLP | 234,561,190 | 99.79% | 149,451,287 | 99.67% |
| | 234,561,190 | 99.79% | 149,451,287 | 99.67% |

4 Reserves and surplus:

| Particulars | (Amount in Rs.) | |
|---|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| (i) Statutory Reserve# | | |
| (As per Section 29C of National Housing Bank Act, 1987) | | |
| At the beginning of the Year | 9,581,760 | 1,386,388 |
| Add : Addition during | 23,584,267 | 8,195,372 |
| Less : Appropriation during | - | - |
| At the end of the Year | 33,166,027 | 9,581,760 |
| (ii) Surplus/(Deficit) in Statement of Profit and Loss | | |
| Surplus/(Deficit) at the beginning of the Year | 36,671,296 | 3,889,806 |
| Add/(Less): Net Profit /(Loss) | 117,921,334 | 40,976,862 |
| Less : Transfer to Statutory Reserve | (23,584,267) | (8,195,372) |
| | 94,337,067 | 32,781,490 |
| Surplus/(Deficit) at the end of the Year | 131,008,363 | 36,671,296 |
| | 164,174,390 | 46,253,056 |

The Company has created statutory reserve as required under section 29C of National Housing Bank Act, 1987 equivalent to 20% of profit after tax.



5 Long-term borrowings:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Secured | | |
| Term Loans from Banks# | 745,216,302 | 190,249,995 |
| Less: Current maturities of long term term borrowings (Ref Note-9) | (193,789,411) | (39,500,024) |
| | 551,426,891 | 150,749,971 |

1) The Company has taken term loan from Federal Bank Ltd of Rs.4.75 crores repayable in 60 monthly instalments starting from October 29, 2018 and carry Interest @9.90% P.a. (One year MCLR + 0.70%) on security of cash margining of 10% of loan amount and hypothecations of receivables equivalent to 1.10 times.

2) The Company has taken term loan from South Indian Bank Ltd of Rs.5 crores repayable in 60 monthly instalment starting from January 29, 2019 and carry Interest @10% P.a. (One year MCLR + 0.55%). This facility is secured by cash margin euivalent to 10% of term loan in form of fixed deposit and paripassu charge on all current assets, book debts, and housing loan assets both present and future of the company with minimum cover of 1.10 times. The Company has also provided corporate guarantee of KIFS International LLP (the holding enterprise) & Personal guarantee of Mr. Rajesh P khandwala & Mr. Vimal P Khandwala.

3) The Company has taken term loan from AU Small Finance Bank Limited of Rs. 10 crores repayable in 60 monthly instalments starting from May 3, 2019 and carry interest @11.85% p.a. (12 months' average of one year T-Bill + 4.85%). This facility is secured by hypothecations of present and future loan receivables equivalent to 1.20 times for the loan principal outstanding. The Company has also provided corporate guarantee of KIFS International LLP (the holding enterprise) & Personal guarantee of Mr. Rajesh P khandwala & Mr. Vimal P Khandwala.

4) The Company has taken term loan from Federal Bank Ltd of Rs.5.00 crores repayable in 60 monthly instalments starting from May 23, 2019 and carry Interest @10.00% P.a. (One year MCLR + 1.3%) on security of cash margining of 10% of loan amount and hypothecations of receivables equivalent to 1.10 times.

5) The Company has taken term loan from Federal Bank Ltd of Rs.6.00 crores repayable in 60 monthly instalments starting from September 27, 2019 and carry Interest @10.0% P.a. (One year MCLR + 1%) on security of cash margining of 5% of loan amount and hypothecations of receivables equivalent to 1.20 times. The Company has also provided corporate guarantee of KIFS International LLP (the holding enterprise) & Personal guarantee of Mr. Rajesh P khandwala & Mr. Vimal P Khandwala.

6) The Company has taken term loan from State Bank of India of Rs.50.00 crores out of which Rs.25 Crores disbursed till Sep2019 repayable in Qtrly. instalments and carry Interest @9.9% P.a. (One year MCLR + 1%) on security of (Immovable property/cash collateral) equivalent to 18% of loan amount and hypothecations of receivables equivalent to 1.25 times. The Company has also provided corporate guarantee of KIFS International LLP (the holding enterprise) & Personal guarantee of Mr. Rajesh P khandwala & Mr. Vimal P Khandwala.

7) The Company has taken term loan from Karur Vyasa Bank of Rs.15.00 crores out of which Rs.3 Crores disbursed till Dec2019 repayable in Qtrly. instalments and carry Interest @10.25% P.a. (One year MCLR 9.45%+ 0.80%) on security of hypothecations of receivables equivalent to 1.20 times. The Company has also provided corporate guarantee of KIFS International LLP (the holding enterprise) & Personal guarantee of Mr. Rajesh P khandwala & Mr. Vimal P Khandwala.

8) The Company has received sanction of refinance from National Housing Bank of amounting to Rs.45.00 crores, out of which Rs.20 Crores disbursed under three schemes i.e. Rs. 8.44 crores in Loans upto 10 Lakhs @ 7.80% P.A., Rs. 6.06 crores Loans to Rural Area @ 7.80% P.A. and Rs. 5.50 crores loans to SCST @ 7.75% P.A. till Dec 2019. The same is repayable in total 10 Years 2 Months and 12 days in Quarterly Instalments. Security against this is hypothecation of receivables equivalent to 1.25 times and bank guarantee equivalent to 20% of loan amount sanctioned. Further the Company has also provided Corporate guarantee of KIFS International LLP.

6 Long-term provisions:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Provision for employee benefits | | |
| Gratuity | 1,561,087 | 1,065,933 |
| Compensated absences | 3,797,550 | 2,352,921 |
| Other provisions | | |
| Provision for Taxes (Net of Advance tax & tds) | | |
| Contingent Provisions against Standard Assets | | |
| -Home Loans | 10,605,736 | 5,903,904 |
| -Other Property Loans | 3,839,285 | 3,001,885 |
| Provision for sub standard assets | | |
| -Home Loans | 3,050,418 | 2,139,586 |
| -Other Property Loans | 139,110 | 81,949 |
| | 22,993,186 | 14,546,178 |

As per NHB master directions, 2010, Contingent provision is required @ 0.25% in respect of Individual Housing Loans and @ 0.40% in respect of other loans, but conservatively company has made contingent provision @ 0.40% & 1.00% respectively for both class of loans.

As per NHB master directions, 2010, Contingent provision is required @ 15% on total outstanding amount of sub-standard assets. The company has changed policy of provisioning for substandard assets. Till 31st March, 2019 it was providing 100% whereas now, it has decided to provide 15% which is as per the NHB provisioning norms. Thus, excess provision of previous year amounting to Rs. 18,88,305/- is getting reversed in current period.

7 Short-term borrowings:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Secured | | |
| Loans repayable on demand | | |
| Short term loans from bank - Bank Overdraft# | 67,228,566 | - |
| | 67,228,566 | - |

Secured by the way of lien on fixed deposits with banks. These are repayable on demand and carry interest spread of 0.75% to 1% above interest on fixed deposit.



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8 Trade payables:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Total outstanding dues of Micro enterprises and Small Enterprises | - | - |
| Total outstanding dues of creditors other than Micro enterprises and Small Enterprises | 72,461 | - |
| | 72,461 | - |

9 Other current liabilities:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Current maturities of long term loans from banks | 193,789,411 | 39,500,024 |
| Interest accrued but not due on term loans | 861,822 | 97,400 |
| Statutory liabilities | 3,673,980 | 4,235,668 |
| Book overdraft | 117,949,443 | 295,102,571 |
| Payable to Employees | - | 249,440 |
| Advance EMI | 1,315,278 | 868,763 |
| Advance from cusomters | 61,763 | - |
| Income received in advance | - | 8,798,077 |
| Other payables | 51,785,252 | 9,035,477 |
| | 369,436,949 | 357,887,420 |

10 Short-term provisions:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Provision for employee benefits | | |
| Gratuity | - | 3,601 |
| Compensated absences | - | 264,747 |
| Other provisions | | |
| Provision for expenses | 31,892,297 | 9,880,734 |
| Provision for Taxes (Net of Advance tax & tds) | 8,978,905 | 2,050,853 |
| Contingent Provisions against Standard Assets | | |
| -Home Loans | 264,995 | 161,439 |
| -Other Property Loans | 117,346 | 112,749 |
| -Inter corporate deposits | - | 2,006,483 |
| | 41,253,543 | 14,480,606 |

12 Long-term loans and advances:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| <u>Secured, considered good</u> | | |
| <u>Home Loans *</u> | | |
| Loans to others | 2,651,433,945 | 1,475,976,064 |
| <u>Other Property Loans*</u> | | |
| Loans to others | 383,928,508 | 300,188,505 |
| <u>Unsecured, considered good</u> | | |
| Security deposit | 2,497,188 | 2,330,048 |
| <u>Secured, considered doubtful</u> | | |
| <u>Home Loans *</u> | | |
| Loans to others | 18,432,260 | 2,139,586 |
| <u>Other Property Loans*</u> | | |
| Loans to others | 836,761 | 81,949 |
| | 3,057,128,663 | 1,780,716,152 |

* Loans granted by the company are secured by equitable mortgage / registered mortgage of the property and/or undertaking to create security and or personal guarantees and/or assignment of life insurance policies.



13 Deferred tax assets (net):

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Deferred tax liabilities | | |
| Diff between Written down value off P&E as per books of accounts & Income tax Act, | | |
| Gross deferred tax liability | - | - |
| Deferred tax assets | | |
| Diff between Written down value off P&E as per books of accounts & Income tax Act, | 434,064 | 176,662 |
| Provision for gratuity | 434,294 | 297,544 |
| Provision for leave encashment | 1,056,478 | 728,235 |
| Preliminary expenses | 86,671 | 129,651 |
| Provision for Contingencies | 5,012,299 | 3,730,104 |
| Gross deferred tax asset | 7,023,806 | 5,062,196 |
| Net deferred tax asset / (liability) | 7,023,806 | 5,062,196 |

14 Other Non-Current assets:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Fixed deposits with Bank | | |
| Held as cash margin against term loans | 134,546,336 | 10,046,336 |
| | 134,546,336 | 10,046,336 |

15 Trade receivable:

| Particulars | (Amount in Rs.) | |
|---|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Unsecured but considered good | | |
| Outstanding for a period less than six months | | |
| - From related parties | | |
| - From others | 24,003,093 | 3,880,915 |
| | 24,003,093 | 3,880,915 |

16 Cash and bank balances:

| Particulars | (Amount in Rs.) | |
|---|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Cash and cash equivalents | | |
| Cash on Hand | 14,145 | 1,752,708 |
| Balance with Banks | | |
| - In current accounts | 9,600,454 | 66,794,817 |
| - In overdraft accounts | - | 42,417,515 |
| Total cash and cash equivalents | 9,614,599 | 110,965,040 |
| Other bank balances | | |
| - In fixed deposit accounts having original maturity of more than 3months, but less than 12months | 129,789,346 | 86,348,361 |
| Total other bank balances | 129,789,346 | 86,348,361 |
| | 139,403,945 | 197,313,401 |

17 Short-term loans and advances:

| Particulars | (Amount in Rs.) | |
|---|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Secured, considered good | | |
| Home Loans * | | |
| Loans to others | 66,248,660 | 40,359,817 |
| Other Property Loans* | | |
| Loans to others | 11,225,238 | 9,418,903 |
| Unsecured, considered good | | |
| Inter corporate deposits to others | - | 200,648,315 |
| Inter corporate deposits to related parties | - | - |
| Security deposit | 15,000 | 80,000 |
| Capital advances | 321,500 | 513,350 |
| Prepaid Expenses | 2,182,196 | 1,884,638 |
| Balance with Government authorities | 143,404 | 71,933 |
| Advance to employees for expenses | 663,599 | 427,119 |
| Advance to Vendor | 1,813,873 | - |
| Other advances | 2,983,994 | 4,070,834 |
| | 85,597,465 | 257,474,909 |

* Loans granted by the company are secured by equitable mortgage / registered mortgage of the property and/or undertaking to create security and or personal guarantees and/or assignment of life insurance policies.



18 Other Current Assets:

| Particulars | (Amount in Rs.) | |
|--|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Interest accrued but not due on home loans | 23,007,969 | 11,939,921 |
| Interest accrued but not due on fixed deposits with bank | 8,100,399 | 39,972 |
| EMI/Pre EMI receivable on home loans | - | - |
| Interest accrued but not due on ICD | - | - |
| | 31,108,368 | 11,979,893 |

19 Investment

| Particulars | (Amount in Rs.) | |
|---------------------------|-----------------------|-------------------------|
| | As at Dec 31, 2019 | As at March 31, 2019 |
| Investment in Mutual Fund | 70,126,968 | - |
| | 70,126,968 | - |

20 Revenue from Operations:

| Particulars | (Amount in Rs.) | |
|---|--|-------------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Interest income on loans | 265,348,720 | 175,134,247 |
| Processing fess and other charges (Refer note 20.1) | 33,024,794 | 28,545,504 |
| Other operating income (Refer note 20.2) | 39,030,056 | 2,451,923 |
| | 337,403,570 | 206,131,674 |

20.1 Processing fess and other charges

| Particulars | (Amount in Rs.) | |
|--|--|-------------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Processing fess and other charges | 48,788,869 | 41,673,177 |
| Less: Direct selling agent's commission | (4,470,310) | (4,640,587) |
| Less: Legal, Technical CERSAI & verification charges | (11,293,765) | (8,487,086) |
| | 33,024,794 | 28,545,504 |

20.2 Other Operating Income:

| Particulars | (Amount in Rs.) | |
|--------------------------|--|-------------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Other ancillary services | 39,030,056 | 2,451,923 |
| | 39,030,056 | 2,451,923 |

21 Other Income:

| Particulars | (Amount in Rs.) | |
|---|--|-------------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Interest on fixed deposits with banks | 8,657,034 | 5,395,996 |
| Net gain on sale of current investments | 689,541 | 163,253 |
| Miscellaneous Income | 68,263 | (423,524) |
| | 9,414,838 | 5,135,725 |

22 Employee Benefit expenses:

| Particulars | (Amount in Rs.) | |
|---|--|-------------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Salary and bonus | 98,150,499 | 86,828,629 |
| Contribution to provident and other funds | 3,017,231 | 2,963,626 |
| Staff welfare expenses | 796,758 | 1,000,681 |
| Gratuity | 491,553 | 655,400 |
| | 102,456,041 | 91,448,336 |



23 Finance Cost:

| Particulars | (Amount in Rs.) | |
|------------------------------|---------------------------------------|----------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Interest on Term Loan | 30,702,119 | 3,619,522 |
| Interest on Bank Overdraft | 738,217 | 1,186,483 |
| Interest on other borrowings | - | - |
| Other borrowing Costs | 9,142,629 | 2,037,499 |
| | 40,582,965 | 6,843,504 |

24 Provision for contingencies:

| Particulars | (Amount in Rs.) | |
|--|---------------------------------------|----------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Contingent Provision against Standard Assets | 3,640,902 | 4,355,660 |
| Contingent Provision against Sub-Standard Assets * | 967,993 | 2,221,535 |
| | 4,608,895 | 6,577,195 |

*The company has changed policy of provisioning for substandard assets. Till 31st March, 2019 it was providing 100% whereas now, it has decided to provide 15% which is as per the NHB provisioning norms. Thus, excess provision of previous year amounting to Rs. 18,88,305/- is getting reversed in current period.

25 Other Expenses:

| Particulars | (Amount in Rs.) | |
|------------------------------------|---------------------------------------|----------------------------|
| | 01st April 2019 to 31st December 2019 | Year ended 31st March 2019 |
| Advertisement & Marketing Expenses | 6,492 | 440,107 |
| Auditor's remuneration | 175,000 | 444,000 |
| Business promotion expenses | 485,230 | 328,029 |
| Commission & Brokerage | 13,000 | 127,500 |
| Communication and data charges | 1,732,158 | 1,998,700 |
| Directors' sitting fees | 420,000 | 330,000 |
| Insurance | 2,484,936 | 800,964 |
| Legal and professional charges | 7,113,788 | 8,670,362 |
| Membership & Subscription fees | 101,825 | 122,373 |
| Power and fuel | 1,110,005 | 937,467 |
| Printing and stationary | 1,038,731 | 1,262,009 |
| Rates and Taxes | 7,822,856 | 10,142,884 |
| Recruitment Expenses | 133,326 | 430,801 |
| Rent | 7,472,391 | 8,256,113 |
| Repair and maintenance | - | - |
| Computer and software | 744,193 | 973,655 |
| Others | 871,144 | 912,319 |
| ROC & Filing Expenses | 15,307 | 6,682 |
| Travelling and conveyance | 5,076,205 | 5,326,359 |
| Miscellaneous Expenses | 2,155,013 | 1,273,844 |
| | 38,971,601 | 42,784,168 |



Notes to the financial statement for the period ended 31 Dec 2019

11. Property, Plant and Equipment

| Description of asset | Gross Block | | | | Accumulated Depreciation | | | Net Block | |
|--------------------------------------|-----------------------|-----------------------------|---|--------------------|--------------------------|-----------------------------|---|--------------------|------------------------|
| | As at 1st April, 2019 | Additions during the period | Deductions/Adjustment during the period | As at Dec 31, 2019 | As at 1st April, 2019 | Additions during the period | Deductions/Adjustment during the period | As at Dec 31, 2019 | As at 31st March, 2019 |
| Tangible assets: | | | | | | | | | |
| Computer and data processing units | 4,063,339 | 1,092,098 | | 5,155,438 | 1,416,722 | 1,128,094 | | 2,544,816 | 2,646,617 |
| Furniture and fixtures | 2,281,381 | 1,364,051 | - | 3,645,432 | 296,175 | 241,997 | | 538,172 | 1,985,206 |
| Office equipments | 978,914 | 332,069 | - | 1,310,983 | 224,586 | 172,922 | - | 397,508 | 754,328 |
| Leasehold improvements | 13,505,879 | 908,512 | - | 14,414,391 | 3,164,806 | 1,504,179 | - | 4,668,985 | 10,341,073 |
| Total tangible assets (a) | 20,829,514 | 3,696,729 | - | 24,526,243 | 5,102,289 | 3,047,191 | - | 8,149,480 | 15,727,225 |
| Intangible assets: | | | | | | | | | |
| Computer software | 567,950 | - | - | 567,950 | 118,936 | 85,534 | - | 204,470 | 449,014 |
| Total intangible assets (b) | 567,950 | - | - | 567,950 | 118,936 | 85,534 | - | 204,470 | 449,014 |
| Total (a) + (b) = (C) | 21,397,464 | 3,696,729 | - | 25,094,193 | 5,221,225 | 3,132,725 | - | 8,353,950 | 16,176,239 |



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

ACCOUNTING POLICY

Company Overview:

KIFS Housing Finance Private Limited (herein after referred to as 'the Company') has been incorporated on November 16, 2015 under the provisions of the Companies Act, 2013 with the main object of providing housing loans. The Company is registered with the National Housing Bank u/s 29A of The National Housing Bank Act, 1987 with effect 27th October, 2016 with objective of advancing housing loans. The Company is registered in Ahmedabad, Gujarat and has its corporate office in Mumbai

1. Summary of Significant Accounting Policies :

a. Basis of preparation of Financial Statements and prudential norms:

These financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting unless otherwise stated and in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") and confirm to the statutory requirements, circulars and guidelines issued by the National Housing Bank ("NHB") from time to time to the extent applicable. The financial statements have been prepared to comply in all material respects with the Accounting Standards ("AS") notified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable.

b. Use of Accounting Estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) on the date of financial statements and the reported amounts of revenues and expenses for the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statement are prudent and reasonable based upon the management's evaluation of the relevant facts and circumstances as of the date of financial statements. The actual results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods in which the results are known /materialize.

All assets and liabilities have been classified as current or non-current as per companies operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of its activities, company has determined its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

c. Revenue Recognition:

Interest on housing loans:

Interest Income on loans is recognized on accrual basis from the disbursement date as per disbursement memo except in case of non-performing assets where interest is recognised upon realization as per NHB guidelines. However, for login inward post December 18, 2019, interest shall be charged from the date of cheque handover to the customer. Repayment of housing loans is by way of Equated Monthly Installments ("EMI") comprising principal and interest. Interest is calculated on monthly reducing balance in terms of financing scheme opted by the borrower. EMI commences once the entire loan is disbursed. Pending commencement of EMI, pre EMI interest is charged every month and is accounted on accrual basis.

Fees and other charges:

1. Upfront processing fees are recovered and recognised at the time of initiating the process of disbursement of loan.
2. Other charges such as cheque bounce charges, late payment charges are recognized on realization basis
3. In case of non-performing assets, fees and other charges are recognized upon realization as per the NHB guidelines.

Interest on Inter corporate deposits and other loans:

Interest on inter corporate deposits and other loans are recognized on accrual basis except in case of non-performing assets where interest is recognized upon realization as per NHB guidelines.

Income from investment:

1. Income from dividend is recognized in the statement of profit and loss when the right to receive is established.
2. Interest income on fixed deposits is recognized on time proportion basis.

Other income:

In other cases, income is recognized following accrual principles when there is no significant uncertainty as to determination and realization.

Unless otherwise agreed to by the company any payment due and payable from the customer and made by the customer or received by the company would be appropriated towards such dues in the order, namely:

- a. Costs, charges, expenses, incidental charges and other monies that may have been expended by the company in connection with this Agreement and recovery;



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

- b. Substitute Interest, and/or liquidated damages on default amounts, Default Interest/additional interest on defaulted amounts;
- c. Towards other indebtedness of the Borrower to the other Housing Finance Companies (HFC's)
- d. Prepayment charge and fees;
- e. Interest;
- f. PEMI;
- g. EMI;
- h. Principal amount of the loan.

d. Borrowing cost:

Interest and other related financial charges are recognized as an expense in the period for which they relate as specified in Accounting Standard (AS 16) on "Borrowing Costs". One time Ancillary costs in connection with the borrowings expensed in the period in which they are incurred

e. Property, Plant & Equipment/Intangible Assets, Depreciation & Amortization:

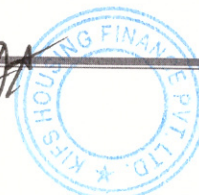
Property, Plant & Equipment:

Property, Plant & Equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of **Property, Plant & Equipment** comprises purchase price and any attributable cost of bringing the asset to its working conditions for its intended use. Subsequent expenditure incurred on assets is capitalized only when it increases the future benefits/functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line method ("SLM") in the manner prescribed in schedule II of the Companies Act, 2013 or the life of asset estimated as follows by management, whichever is lower.

- 1. Assets individually costing less than Rs. 5,000/- are fully depreciated in the year of purchase
- 2. Improvements of the immovable nature to the leasehold premises are depreciated over the initial lease period
- 3. Furniture & Fixture- 10 years
- 4. Computer & Printer- 3 years
- 5. Office Equipments)- 5 years

The Company has estimated 5% residual value at the end of the useful life for all block of assets. For assets purchased and sold during the year, depreciation is provided on a pro rata basis by the company.



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

Intangible Assets:

Software and system development expenditure are capitalized at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of five years with zero residual value.

Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

f. Impairment of assets:

The Company assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset or the cash generation unit ("CGU"). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is created as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

g. Investments:

In accordance with AS-13 on "Accounting for Investments" and the guidelines issued by National Housing Bank ("NHB"), investments that are readily realizable and intended to be held for not more than twelve months from the date of acquisition are classified as current investments. All other investments are classified as long term investments. However, that part of long term investments which are expected to be realized within twelve months from balance sheet date is also presented as current investment. Long term investments are stated at cost. Provision is recognized only in case of diminution in the value of long term investments, which is other than temporary in nature. Current investments are valued at lower of cost and fair value. In case of unquoted units of schemes of mutual funds, NAV declared by respective mutual fund is considered as fair value.

h. Loans and advances: Classification and provisioning

Housing loans are recorded in the books on the date of its disbursement as per disbursement memo and are classified as per NHB guidelines, into performing and non-performing asset. All loans and other credit exposures where the installments, including interest and other dues are overdue for a period of more than 90 days are classified as non-performing assets in accordance with the prudential norms prescribed by the NHB. The company provides for standard assets, substandard assets, doubtful assets and loss assets as per the prudential norms prescribed by the NHB or higher amount on conservative basis as decided by management.



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

i. Employee Benefits:

Defined Contribution plans

Company makes specified monthly contributions towards employee provident fund to government administered provident fund scheme which is a defined contribution plan. The company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Gratuity:

The Company's gratuity Fund Scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their services in current and prior periods, that benefit is discounted to determine its present value and fair value of any plan assets, if any is deducted. On annual basis, the present value of the obligation under such benefit plan is determined actuarial valuation using the projected unit credit method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date. Actuarial gains and losses are recognized immediately in the statement of profit and loss. On quarterly & half yearly Actuarial valuation is not obtained but management estimate is considered.

Short Term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which employee renders the related service.

Long Term Employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the balance sheet date, based on actuarial valuation.



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

j. Taxes on Income:

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the effects of timing differences between accounting income and taxable income for the period).

Current tax

Provision for current income tax is recognized in accordance with the provisions of Indian Income Tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Minimum Alternate Tax (MAT)

In case the company is liable to pay income tax u/s 115JB of Income Tax Act, 1961, the amount paid in excess of normal income tax is recognized as asset (MAT credit entitlement) only if there is convincing evidence for realization of such asset during the specified period. MAT credit entitlement is reviewed at each Balance sheet date.

Deferred tax

Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. difference those originates in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets/liabilities are recognized only to the extent there is reasonable certainty that the assets/liabilities can be realized in future; however where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets/liabilities are reviewed as at the each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

k. Provisions, Contingent Liabilities and Assets:

The Company recognizes provision when there is present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. In case where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. Provisions are reviewed at the balance sheet and adjusted to reflect the current management estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognized in the financial statements.

l. Earnings Per Share(EPS):

The Basic earning per equity share have been computed by dividing net profit / loss available to the equity shareholders for the year by weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit available to the equity shareholders after giving impact of dilutive potential equity shares for the year by weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

m. Operating Leases:

Payments under lease arrangement, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are charged to the statement of profit and loss on a straight line basis over the lease term, unless another systematic basis is more appropriate.

n. Statutory / Special Reserve:

The Company creates Statutory / Special Reserve on yearly basis as required under section 29C of the National Housing Bank Act, 1987.

o. Foreign exchange transaction:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transactions. Transactions remaining unsettled are translated at the exchange rates prevailing on the date of the Balance Sheet, except those covered by forward contract, currency swap contracts. Any gain or loss on account of exchange differences either on settlement or on translation are recognized in the statement of profit and loss.

p. Goods and Service tax / Service Tax input credit:

GST input credit is accounted in the books as an eligible asset to be utilized against current or future output liability as per GST rules. We have opted 50:50 set off verses proportional set off as per provision under section 17(2) and 17(4) of Section 17 of the Central Goods and Services Tax (CGST) Act, 2017.

q. Assigned/ securitized Loans and Securitisation Liabilities

The Corporation enters into transactions through direct assignment route. Transfer of pools of mortgages under the direct assignment route involves transfer of proportionate shares in the pools of mortgages. Such transfers result in de-recognition only of that proportion of the



KIFS HOUSING FINANCE PRIVATE LIMITED

Notes to the financial statement for the year ended 31st December, 2019

mortgages which meets the de-recognition criteria. The portions retained by the Corporation continue to be accounted as loans.

The Corporation also periodically transfers pools of mortgages. Such assets are de-recognized, if and only if, the Corporation loses control of the contractual rights that comprise the corresponding pools or mortgages transferred. In respect of pools securitized, whenever required, the Corporation provides credit enhancement in the form of guarantees and undertaking.

The Corporation may also acts as a servicing agent for pools assigned / securitized.

On de-recognition, the difference between the book value of securitized asset and consideration received is recognized as gain arising on securitization in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognized immediately in the Statement of Profit and Loss.

