Annexure-I

स्वच्छ भारत
एक कदम स्वच्छता की ओर

बेटी बचाओ बेटी पढ़ाओ

LiFE
Lifestyle for Environment

आई आई एफ सी एल
IIFCL

India Infrastructure Finance Company Limited
(A Government of India Enterprise)

ADDITIONAL INFORMATION OF ANNUAL REPORT 2023-24

INDEPENDENT AUDITOR'S REPORT

To the members of India Infrastructure Finance Company Limited

Report on the Audit of the Standalone Financial Statements

Qualified Opinion

We have audited the accompanying standalone financial statements of India Infrastructure Finance Company Limited ("the Company"), which comprises of Standalone Balance Sheet as at 31st March 2024,the Standalone Statement of Profit and Loss (Including other comprehensive income), the Standalone Statement of changes in Equity and the Standalone Statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of material accounting policies and other explanatory information prepared in accordance with the requirement of the Companies Act 2013 (as amended) ("the Act")' (hereinafter referred to as "Financial Statements")

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the basis for qualified opinion section of our audit report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2024 and its profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

Reference is invited to Note 4 and Note 1 (B) 28 of the standalone financial statements pertaining to reconciliation entries accounted for during the current year to resolve technical glitches in the Accounting Software which have resulted in reversal of material interest income relating to prior periods amounting to ₹12,424.94 lakh during the current period and which the management is of the opinion that it does not constitute prior period errors requiring restatement of financial statements as neither did they have the details of the same during the previous years and nor were the errors made intentionally to achieve a particular presentation of the entity's financial position.

The said technical glitches which were in the process of reconciliation by an External IT Consultant appointed by the management since has reconciled during the year in terms of the detailed report submitted by them, A number of reconciliation entries identified by the IT Consultants related to material prior period errors. Accordingly, the management corrected the same by passing necessary entries in the books of account during the current year.

In terms of Ind AS 8 on "Accounting Policies, Change in Accounting Estimates and Errors" prescribed by the Companies (Indian Accounting Standards) Rules, 2015 the Company was required to correct the material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by restating the comparative amounts. The Company has however, not complied with the provisions of para 42 of Ind AS 8 read with para 5 which necessitates retrospective restatement of the financial statements of the prior period(s) by (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

The impact of the reversal of the prior period interest income consequent to the said reconciliation has resulted in an understatement of the reported Profit before tax for the year by an amount of ₹12,424.94 lakh with a corresponding impact on the Loan Assets of the company.

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

Emphasis of Matter

We draw attention to Note 4 and Note 1 (B) 28 of the standalone financial statements that explains the pending reconciliation, the management is in the process of resolving the same. The financial impact (if any) of the aforesaid pending reconciliation can be determined only post reconciliation.

In the opinion of the management, the impact, if any, will not be material consequent to such pending reconciliation.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have considered the matters described below to be the Key Audit Matters for incorporation in our Report.

<table>
<tr><th>Sl. No.</th><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td rowspan="2">1.</td><td colspan="2">Impairment of loans and Advances to customers.

Please refer to the accounting policies in Note 1 (A) 5.7.to the Standalone financial statements: Impairment of Financial Assets, Note 1 (A)16 to the standalone financial statements: Critical accounting assumptions and estimates and Note 4 to the standalone financial statements: Loans.</td></tr>
<tr><td>The impairment of loans is based on Expected Credit loss (ECL) Model as per Ind AS 109- Financial Instruments. The Company's impairment allowance is based on certain management estimates including the historical default rates and loss ratio.

The recognition and measurement of impairment loss of loans and advances involves significant management judgement. The areas where management has exercised significant judgements are:

● Loan Staging Criteria.
● Calculation of probability default/loss given default
● Determination of exposure default
● Consideration of probability weighted scenarios and forward looking macro-economic factors.

The applicability of ECL model requires huge data input. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.</td><td>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient audit evidence:

Testing of design and operating effectiveness of controls:

Performing end to end process walkthrough to identify the key systems, applications and controls used in computation of ECL. Testing the relevant manual (including spreadsheet controls), general IT and applications controls over key systems used in computation of ECL.

Key aspects of our controls testing involved the following:

Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.

● Testing the Governance Framework controls over evaluation, implementation and model monitoring in line with Reserve Bank of India guidance.
● Testing the design and operating effectiveness of the key controls over the application of the staging criteria.
● Testing key controls relating to selection and implementation of key macro-economic variables and the controls over the scenario selection and application of probability weights.
● Testing controls Over authorisation and computation of post model adjustments i. e. management overlays.
● Testing key controls operating over the information technology system in relation to loan impairment including system access and change management, program development and computer operations.

Test of Details:

● Key aspects of our testing included:
● Testing samples over key inputs, data and assumptions impacting ECL computations to assess the completeness, accuracy and relevance of data, economic forecasts, weights, and model assumptions applied.
● Testing model computations through reperformance, where applicable.</td></tr>
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Sl. No.	**Key Audit Matter**	**How our audit addressed the Key Audit Matter**
2.	Valuation of Derivative Instruments and Hedge Accounting. Please refer to the accounting policies in Note no 1 (A) 5.2 to the standalone financial statements: Derivative financial instruments, Note 3 to standalone financial statements: Derivative financial instruments	
	The company enters into derivative contracts in order to manage and hedge risks such as foreign exchange rate on borrowings. The company enters into either the Cash Flow Hedges or Fair Value Hedges depending on the risk being hedged. The application of hedge accounting and evaluating hedge effectiveness is complex and operationally cumbersome and requires close monitoring from Company management.	Our procedure included: Design/ Controls Obtained an understanding of the risk management Policies and tested key controls (i) at the time of entering in to hedge relationship including authorization by designated authority. Documentation prepared by the management at the inception of the hedge transaction, (ii) with regard to ongoing monitoring and review of the hedge relationship by management including test of hedge effectiveness. *Substantive Checking* ● Checked the recognition and measurement of derivatives instruments, for elected samples, as per Ind AS 109 ● Examined hedge documentation with Ind AS 109 requirements ● Test checked on a sample basis reconciliation of derivative instruments to independent confirmations obtained from third party ● Test checked on a sample basis the applicability and accuracy of hedge accounting ● Considered the appropriateness of the disclosures in relation to financial risk management, derivative instruments, and hedge accounting in the standalone financial statements.
3.	Information Technology Integration of IT enabled Accounting System.	
	The IT environment of the Company is complex and involves a number of independent and inter-dependent IT systems used in the operations of the Company for processing and recording a large volume of transactions. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Company. Appropriate IT general controls and IT application controls are required to ensure that such IT systems are able to process the data as required, completely, accurately, and consistently for reliable financial reporting. We have identified certain key IT systems which have an impact on the financial reporting process and the related control testing as a key audit matter because of the high level of automation, significant number of systems being used by the Company for processing financial transactions, the complexity of the IT architecture and its impact.	Our procedures included: ● Evaluated the design and tested the operating effectiveness of key IT application controls within key business processes, which included testing automated calculations, automated accounting procedures, system interfaces, system reconciliation controls. ● Evaluated and tested relevant IT general controls and IT application controls of the IT systems identified as relevant for our audit of the Company's standalone financial statements and financial reporting process of the Company.

Information other than the Standalone Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information contained in the Company' s Annual Report but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and determine the actions under the applicable laws and regulations.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, other comprehensive income, changes in equity and cash flows of the Company in accordance 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in

(i) planning the scope of our audit work and in evaluating the results of our work; and

(ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements 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.

Other Matters

1. As explained to us, the appointment of requisite number of women director under section 149(1) of The Companies Act, 2013 are awaited from Ministry of Finance.

   Accordingly the Board remained constituted without complying with the requirements of the aforesaid section. Furthermore, the appointment of independent directors under section 149(1) of The Companies Act, 2013 were made on 10th May 2023 via order no F.NO. 18/7/2022-IF-1 from Ministry of Finance.

2. As per guidelines of the Department of Investment and Public Asset Management, the company is supposed to pay minimum annual dividend of 30% of profit after tax or 5% of net worth of CPSEs, whichever is higher subject to maximum dividend permitted under the extant legal provisions. However, Board of Directors of IIFCL in their meeting held on 28th March 2024 have approved the proposal to request Government of India to provide exemption from payment of dividend. Furthermore, No Dividend has been proposed for the financial year 2023-24.

Our opinion is not modified with respect to the above matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the 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 and in terms of subsection (5) of section 143 of the Act,

   We have given in the Annexure "C" information in respect of the directions issued by Comptroller and Auditor-General of India in respect of the company.

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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss, the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account;

   d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules.

e) As per notification number G.S.R. 463(E) dated June 5, 2015 issued by Ministry of Corporate Affairs, Section 164(2) of the Act regarding the disqualifications of Directors is not applicable to the Company, since it is a Government Company;

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".

g) As per notification number G.S.R. 463 (E) dated 5 June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.

3. 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 ('Audit Rules') as amended, in our opinion and to the best of our information and according to the explanations given to us:

a) The Company has disclosed the impact of pending litigations on its financial position in its financial statement as referred to in Note 1 (B)(19) to the standalone financial statements.

b) The Company has made due provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts including derivative contracts.

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

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

(ii) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; and

(iii) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and (d) (ii) contain any material mis-statement.

e) No dividend has been declared or paid during the year by the Company.

f) Based on our examination which included test checks, the company has used an accounting software for maintaining its books of account for the financial year ended 31 March 2024, which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with and the management has represented that the audit trail feature cannot be disabled.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of Audit trail as per the statutory requirements for records retention is not applicable for the Financial Year ended 31 March 2024.

For AGARWAL & SAXENA
Chartered Accountants
(FRN-002405C)

Ajay Verma
Partner
Membership No.: 24404578
UDIN: 24404578–BKGPYB8128

Place: Udaipur
Date: 13.05.2024

INDEPENDENT AUDITOR'S REPORT

To the members of India Infrastructure Finance Company Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of India Infrastructure Finance Company Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31st March 2024, the Consolidated Statement of Profit and Loss (including other comprehensive income), the consolidated Statement of Changes in Equity & the Consolidated statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the material accounting policies and other explanatory information prepared in accordance with the requirement of the Companies Act 2013 (as amended) ("the Act") (hereinafter referred to as the "consolidated financial statements")

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of other auditors on separate audited financial statements/ financial results/ financial information of subsidiaries, the aforesaid Consolidated Financial Statements gives the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Company as at March 31 , 2024, the consolidated profit and consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

1. Reference is invited to Note 5 and Note 1 (B) (35A) of the consolidated financial statements pertaining to reconciliation entries accounted for during the current year to resolve technical glitches in the Accounting Software which have resulted in reversal of material interest income relating to prior periods amounting to ₹12 ,424.94 lakh during the current period and which the management is of the opinion that it does not constitute prior period errors requiring restatement of financial statements as neither did they have the details of the same during the previous years and nor were the errors made intentionally to achieve a particular presentation of the entity's financial position.

   In our opinion, The said technical glitches which were in the process of reconciliation by an External IT Consultant appointed by the management since has reconciled during the year in terms of the detailed report submitted by them. A number of reconciliation entries identified by the IT Consultants related to material prior period errors. Accordingly, the management corrected the same by passing necessary entries in the books of account during the current year.

   In terms of Ind AS 8 on "Accounting Policies, Change in Accounting Estimates and Errors" prescribed by the Companies (Indian Accounting Standards) Rules, 2015 the Company was required to correct the material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by restating the comparative amounts. The Company has however, not complied with the provisions of para 42 of Ind AS 8 read with para 5 which necessitates retrospective restatement of the financial statements of the prior period(s) by (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

   The impact of the reversal of the prior period interest income consequent to the said reconciliation has resulted in an understatement of the reported Profit before tax for the year by an amount of ₹12,424.94 lakh with a corresponding impact on the Loan Assets of the company.

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

Emphasis of Matter

1. We draw attention to Note 5 and Note 1 (B) (35A) of the Consolidated financial statements that explains the pending reconciliation, the management is in the process of resolving the same. The financial impact (if any) of the aforesaid pending reconciliation can be determined only post reconciliation.

In the opinion of the management, the impact, if any, will not be material consequent to such pending reconciliation.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Sl No.	Management	How the matter was addressed in our audit
1	Impairment of loans and Advances to customers Please refer to the accounting policies in Note 1 (A) 5.7 to the Consolidated financial statements, Impairment of Financial Assets, Note 1 (A) (16) to the Consolidated financial statements: Critical accounting assumptions and estimates and Note 5 to the Consolidated financial statements: Loan	
	The impairment of loans is based on Expected Credit loss (ECL) Model as per Ind As 109- Financial Instruments. The Company's impairment allowance is based on certain management estimates including the historical default rates and loss ratio. The recognition and measurement of impairment loss of loans and advances involves significant management judgement. The areas where management has exercised significant judgements are: • Loan Staging Criteria • Calculation of probability of default/loss given default • Determination of exposure of default • Consideration of probability weighted scenarios and forward looking macro-economic factors The applicability of ECL model requires huge data input. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.	We performed audit procedures set out below: Design/ Controls • Evaluated the appropriateness of the impairment principles used by management as per requirements of Ind AS 109, our understanding of the business and industry practice. • Assessed the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge. • Evaluated management's controls over collation of relevant information used for determining estimates for management overlays . • Tested review controls over measurement of impairment allowances and disclosures in financial statements.
2	Valuation of Derivative Instruments and Hedge Accounting Please refer to the material accounting policies in Note no 1 A 5.2 to the Consolidated financial statements: Derivative financial instruments, Note 3 to Consolidated financial statements: Derivative financial instruments	
	The company enters in to derivative contracts in order to manage and hedge risks such as foreign exchange rate on borrowings. The company enters in to either the Cash Flow Hedges or Fair Value Hedges depending on the risk being hedged. The application of hedge accounting and evaluating hedge effectiveness is complex and operationally cumbersome and requires close monitoring from company management.	Our procedure included: Design/ Controls Obtained an understanding of the risk management Policies and tested key controls (i) at the time of entering in to hedge relationship including authorization by designated authority, documentation prepared by the management at the inception of the hedge transaction, (ii) with regard to ongoing monitoring and review of the hedge relationship by management including test of hedge effectiveness.

Sl No.	Management	How the matter was addressed in our audit
		Substantive Checking • Checked the recognition and measurement of derivatives instruments, for elected samples, as per Ind AS 109 • Examined hedge documentation with Ind AS 109 requirements • Test checked on a sample basis reconciliation of derivative instruments to independent confirmations obtained from third party • Test checked on a sample basis the applicability and accuracy of hedge accounting • Considered the appropriateness of the disclosures in relation to financial risk management, derivative instruments and hedge accounting in the Consolidated financial statements.
3	Information Technology Integration of IT enabled Accounting System	
	The IT environment of the Company is complex and involves a number of independent and interdependent IT systems used in the operations of the Company for processing and recording a large volume of transactions. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Company. Appropriate IT general controls and IT application controls are required to ensure that such IT systems are able to process the data as required, completely, accurately, and consistently for reliable financial reporting. We have identified certain key IT systems which have an impact on the financial reporting process and the related control testing as a key audit matter because of the high level of automation, significant number of systems being used by the Company for processing financial transactions, the complexity of the IT architecture and its impact.	Our procedures included: • Evaluated the design and tested the operating effectiveness of key IT application controls within key business processes, which included testing automated calculations, automated accounting procedures, system interfaces, system reconciliation controls. • Evaluated and tested relevant IT general controls and IT application controls of the IT systems identified as relevant for our audit of the Company's Consolidated financial statements and financial reporting process of the Company.

Information Other Than The Consolidated Financial Statements And Auditor's Report Thereon

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in Board's Report including Annexures thereon but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and determine the actions under the applicable laws and regulations.

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and the consolidated cash flows of the Group in accordance with the Indian Accounting Standards (Ind AS) and other accounting principles generally accepted in India.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Consolidation 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 Consolidation 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 Consolidation 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 Companies Act, 2013, 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 Consolidation 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 Consolidation financial statements, including the disclosures, and whether the Consolidation financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Consolidation financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Consolidation financial statements may be influenced. We consider quantitative materiality and qualitative factors in

(i) planning the scope of our audit work and in evaluating the results of our work; and

(ii) to evaluate the effect of any identified misstatements in the Consolidation financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidation 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.

Other Matters

a) We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹5,971 .05 lakh as at 31st March, 2024, total revenues of ₹1,953.03 lakh and net cash flows amounting to ₹67.89 lakh for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

b) The consolidated financial results include the unaudited financial results of one subsidiary (India Infrastructure Finance (UK) Limited), whose financial results reflect group's share of total assets of ₹9,92,657.76 lakh as at 31st March 2024, group's share of total revenue of ₹85,766.76 lakh group's share of net cash flows of ₹717.32 lakh for the year ended 31st March 2024 respectively, as considered in the consolidated financial results. This financial information is unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, this financial information are not material to the Group.

c) As explained to us, the appointment of requisite number of women director under section 149(1) of The Companies Act, 2013 are awaited from Ministry of Finance. Accordingly. the Board remained constituted without complying with the requirements of the aforesaid section. Furthermore, the appointment of independent directors under section 149(1) of The Companies Act, 2013 were made on 15th May 2023 via order no F.NO. 18/7 12022-IF-1 from Ministry of Finance.

d) As per guidelines of the Department of Investment and Public Asset Management, the company is supposed to pay minimum annual dividend of 30% of profit after tax or 5% of net worth of CPSEs, whichever is higher subject to maximum dividend permitted under the extant legal provisions. However, Board of Directors of IIFCL in their meeting held on 28th March 2024 have approved the proposal to request Government of India to provide exemption from payment of dividend. Furthermore, No Dividend has been proposed for the financial year 2023-24.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraph 3(xxi) of the Order, to the extent applicable and in terms of subsection (5) of section 143 of the Act, We have given in the Annexure "C" information in respect of the directions issued by Comptroller and Auditor-General of India in respect of the company.

2. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on the separate financial statements/financial information of the subsidiaries, referred to in the Other Matters section above we report, to the extent applicable, that:

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

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

   c) The Consolidated balance sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in

Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules.

e) As per notification number G.S.R. 463(E) dated June 5, 2015 issued by Ministry of Corporate Affairs, Section 164(2) of the Act regarding the disqualifications of Directors is not applicable to the Company, since it is a Government Company;

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".

g) As per notification number G.S.R. 463 (E) dated 5 June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.

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

a) The Company has disclosed the impact of pending litigations on its financial position in its financial statement as referred to in Note 1 (B)(19) to the Consolidated financial statements.

b) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

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

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

(ii) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties")' with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; and

(iii) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and (d) (ii) contain any material mis-statement.

e) No dividend has been declared or paid during the year by the Company.

f) Based on our examination which included test checks, the company has used an accounting software for maintaining its books of account for the financial year ended 31 March 2024, which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with and the management has represented that the audit trail feature cannot be disabled. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014 as amended on preservation of Audit trail as per the statutory requirements for records retention is not applicable for the Financial Year ended 31 March 2024.

For AGARWAL & SAXENA
Chartered Accountants
(FRN- 002405C)

Ajay Kumar Verma
Partner
Membership No.: 404578
UDIN: 24404578BKGPZT7020

Place: New Delhi
Date: 30.05.2024

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IIFCL

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