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Chartered Accountants

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Certificate No: MMN/C/2022-23/Nov/0031

Independent Auditor's Report on Security Cover and compliance with all financial covenants as at 30th September, 2022

The Board of Directors
Kotak Mahindra Prime Limited
C-27, "G" Block, 27, Bandra
Kurla Complex, Bandra East
Mumbai 400051

- 1 This Report is issued in accordance with the terms of the engagement letter.
- 2 The Kotak Mahindra Prime Limited ("the Company") has raised money through issue of Debentures, which have been listed on the recognised Stock Exchange(s). IDBI Trusteeship Services Limited has been appointed as Trustee (the "Debenture Trustee") for the subscribers to the Debentures.
- 3 Pursuant to Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended vide circular no. SEBI / HO / MIRSD / MIRSD_CRADT/COR/P/2022/67 dated May 19, 2022, and Regulation 15(1)(t) of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, as amended from time to time, (together referred to as the "Regulations"), the Company is required to submit to Debenture Trustees a certificate regarding maintenance of Security Cover and compliance with all the financial covenants in respect of listed Debentures.
- 4 Accordingly, we, as Statutory Auditor of the Company, have been requested by the Company to examine the accompanying "Statement of Security Cover as on 30th September, 2022 from column A to J" (the "Statement") and compliance with all the financial covenants in respect of listed debt securities of the Company as mentioned in the accompanying "Statement of Security Cover and compliance with covenants as on 30th September, 2022" ("Annexure A"). The accompanying Statement and Annexure A has been prepared by the Management of the Company from the unaudited financial results, unaudited books of accounts and other relevant records maintained by the Company.

Management's Responsibility

- 5 The preparation of the Statement and Annexure A is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and Annexure A and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Management's Responsibility (Continued)

- 6 Management of the Company is also responsible for ensuring that the Company complies with all the relevant requirements of the Regulations and for providing all relevant information to the Debenture Trustees and for complying with all the financial covenants as prescribed in the Debenture Trust Deed ("DTD") dated 22nd August 2022 ("DTD A"), 3rd July 2019 and amendment dated 12th February, 2021 and 1st September, 2021 ("DTD B"), 24th July 2017 ("DTD C"), 6th December 2017 ("DTD D") and 15th June 2011 ("DTD E") entered into between the Company and the Debenture Trustees ("together referred as Trust Deeds").

Auditor's Responsibility

- 7 Our responsibility is to provide limited assurance as to whether anything has come to our attention that causes us to believe that:
 - a) the particulars contained in the aforesaid Statement with respect to book value of asset charged against listed Debentures issued by the Company are not in agreement with the unaudited financial results, unaudited books of accounts and other relevant records as at September 30, 2022 maintained by the Company; and
 - b) the Company has not complied with all the financial covenants stipulated in the Trust Deed as on 30th September, 2022.
- 8 We conducted our examination of the Statement and Annexure A, on test basis, in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
- 9 Our scope of work did not include verification of compliance with any other requirement of other circulars and notifications issued by any regulatory authorities from time to time and any other laws and regulations applicable to the Company. Further, our scope of work did not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any of the unaudited financial information or the financial statements of the Company, taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, of specified elements, accounts or items thereof for the purpose of this report. Accordingly, we do not express such an opinion.
- 10 We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements issued by the ICAI.
- 11 A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria. The procedures performed vary in nature and timing from, and are less extent than for, a reasonable assurance. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The procedures selected depend on the auditor's judgement, including the assessment of the areas where a material misstatement of the subject matter information is likely to arise. For the purpose of this engagement, we have performed the following procedures:

Auditor's Responsibility (Continued)

- a. Obtained and read the relevant clauses of Trust Deeds in respect of the listed Debentures and noted the Security Cover required to be maintained by the Company in respect of such Debentures, as indicated in the Statement.
- b. Traced the principal amount of the Debentures outstanding as at 30th September, 2022, to the unaudited financial results, the books of account and other relevant records maintained by the Company.
- c. Obtained and read the list of book debts charged as security in respect of the Debentures outstanding.
- d. Traced the value of book debts from the Statement to the unaudited financial results, books of accounts and other relevant records maintained by the Company as at 30th September, 2022.
- e. Traced the security charged with register of charges maintained by the Company and 'Form No. CHG-9' filed with Ministry of Corporate Affairs ('MCA').
- f. Traced the value of charge created against the book debts to the Security Cover indicated in the Statement.
- g. Performed on test check basis the arithmetical accuracy of the computation of Security Cover indicated in the Statement.
- h. Compared the Security Cover with the requirements as per Trust Deed.
- i. With respect to compliance with covenants included in the Annexure A, we have performed following procedures:
 - i. Obtained list of applicable financials covenants, the computation of the financial covenants as at 30th September, 2022 and traced the figures included in such computation to the unaudited financial results, unaudited books of accounts and other relevant records maintained by the Company.
 - ii. Compared the financial covenants referred above with the requirements stipulated in the Trust Deeds to verify whether such covenants comply with the requirements of the Trust Deeds.
 - iii. Performed necessary inquiries with the management regarding any instance of non-compliance with covenants or communications received from the Debenture Trustee indicating any breach of covenants during the half year ended 30th September, 2022.
- j. Performed necessary inquiries with the Management and obtained necessary representations.

Conclusion

- 12 Based on the procedures performed by us, as referred to in paragraph 11 above and according to the information and explanations received and management representations obtained, nothing has come to our attention that causes us to believe that:

Conclusion (Continued)

- a. the particulars contained in the aforesaid Statement with respect to book value of asset charged against listed Debentures issued by the Company are not in agreement with the unaudited financial results, unaudited books of accounts and other relevant records as at September 30, 2022 maintained by the Company; and
- b. the Company has not complied with all the financial covenants stipulated in the Trust Deed as on 30th September, 2022.

Other Matter

- 13 As per para 3.1 (a) of the circular no. SEBI / HO / MIRSD / MIRSD_CRADT/COR/P/2022/67 dated 19th May, 2022, we are required to certify the book value of the assets, hence, we have not verified market value provided in the Statement of Security Cover (i.e. from Column K to Column O) and accordingly we do not express any conclusion on the same.

Restriction on Use

- 14 Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Regulations. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have as statutory auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care in connection with the statutory audit and other attest function carried out by us in our capacity as statutory auditors of the Company.
- 15 The Report has been issued at the request of the Company, solely in connection with the purpose mentioned in paragraph 3 above and to be submitted with the accompanying Statement and Annexure A to the Debenture Trustees and is not to be used or referred to for any other person. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **M M Nissim & Co LLP**
Chartered Accountants
Firm Registration No: 107122W/W100672

For **Mukund M. Chitale & Co**
Chartered Accountants
Firm Registration No: 106655W

Sanjay Khemani
Partner
Membership No. 044577
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Saurabh Chitale
Partner
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UDIN: 22111383BDCSJZ8878

Mumbai
14th November, 2022

Mumbai
14th November, 2022

Annexure A

Statement of compliance with financial covenants as on September 30, 2022

We confirm that the Company has complied with the following financials covenants / terms of the issue of the listed debt securities:

NCDs	Financial Covenants	Status
All listed NCDs outstanding as at September 30, 2022	Maintain 100% Security cover or Security cover as per the terms of Offer document / Information memorandum and / or Debenture Trust Deed at all the time on total amount outstanding (including interest accrued) for the NCDs as at September 30, 2022.	Complied

Notes:

- i. This Statement is prepared in accordance with Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended vide circular no. SEBI / HO / MIRSD / MIRSD_CRADT/COR/P/2022/67 dated May 19, 2022, and to Debenture Trustees of the listed debt securities pursuant to Regulation 15(1)(t) of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, as amended from time to time, (together referred to as the "Regulations").
- ii. Other than that stated above, there is no financial covenant specified in the Offer Document / Information memorandum of the listed non-convertible debt securities that the Company needs to comply with.

For Kotak Mahindra Prime Limited

Bharat C Thakkar
 Chief Financial Officer
 November 14, 2022

Kotak Mahindra Prime Limited
Statement of Security Cover as on September 30, 2022

Particulars	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	Column O
	Description of assets for which this certificate relates	Exclusive charge	Exclusive charge	Pari-passu charge	Pari-passu charge	Pari-passu charge	Assets not offered as security	Elimination on (amount in negative)	(Total C to H)	Market value for assets charged on exclusive basis	Related to only those items covered by this certificate			Total Value (=K+L+M+N)
Debt for which this certificate being issued		Other secured debt	Debt for which this certificate being issued	Asset shared by pari-passu debt holder (includes debt for which this certificate is issued & other debt with pari-passu charge)	Other assets on which there is pari-passu charge (excluding items covered in column F)	Debt amount considered more than once (due to exclusive plus pari passu charge)		Market value for assets where market value is not ascertainable or applicable (for eg bank balance, DSRA market value is not applicable)	Market value for pari passu charge assets		Carrying / book value for exclusive charge assets where market value is not ascertainable or applicable (for eg bank balance, DSRA market value is not applicable)	Carrying / book value for pari passu charge assets where market value is not ascertainable or applicable (for eg bank balance, DSRA market value is not applicable)	Relating to column F	
	Book Value	Book Value	Yes / No	Book Value	Book Value									
ASSETS														
Property, Plant and Equipment	Building, Investment property, furniture and fixtures, Vehicles, office equipment etc				2,742.03	200.98			2,943.02				2,742.03	2,742.03
Capital Work-in-Progress	Capital Work-in-Progress				-		448.83		448.83				-	-
Right of Use Assets	Right of Use Assets				-		1,455.13		1,455.13				-	-
Goodwill									-				-	-
Intangible Assets	Computer software				-		254.22		254.22				-	-
Intangible Assets under Development	Computer software						82.60		82.60				-	-
Investments	Debentures, Government Securities, Treasury Bills, Bonds etc				2,12,052.46	15,542.71	4,25,390.34		6,52,985.51				2,12,052.46	2,12,052.46
Loans	Loans and advances to customer				22,03,199.81	1,61,486.91	30,942.96		23,95,629.68				22,03,199.81	22,03,199.81
Inventories									-				-	-
Trade Receivables	Trade Receivables				6.05	0.44			6.49				6.05	6.05
Cash and Cash Equivalents	Cash and Cash Equivalents				10,976.83	804.56			11,781.40				10,976.83	10,976.83
Bank Balances other than Cash and Cash Equivalents	Bank Balances other than Cash and Cash Equivalents				-		62.73		62.73				-	-
Others	Current Tax, deferred Tax, Other financial and non financial assets				11,032.79		14,100.98		25,133.77				11,032.79	11,032.79
Total					24,40,009.97	1,78,035.61	4,72,737.80		30,90,783.37			19,875.37	24,40,009.97	24,40,009.97
LIABILITIES														
Debt securities to which this certificate pertains	ZCB, ICD, Debentures		Yes		13,24,963.59				13,24,963.59				13,24,963.59	13,24,963.59
Other debt sharing pari-passu charge with above debt	Bank loan, term loan etc		No			1,61,129.32			1,61,129.32				-	-
Other Debt							17,674.26		17,674.26				-	-
Subordinated debt	TIER II Debenture								-				-	-
Borrowings									-				-	-
Bank									-				-	-
Debt Securities									-				-	-
Others	Commercial papers						4,68,040.49		4,68,040.49				-	-
Trade payables	Trade payables						63,855.00		63,855.00				-	-
Lease Liabilities									-				-	-
Provisions	Provision for retirement benefits, legal cases etc						1,125.98		1,125.98				-	-
Others	Deferred tax liability, current tax liability, financial and non financial liability etc						74,397.80		74,397.80				-	-
Total					13,24,963.59	1,61,129.32	6,25,093.53		21,11,186.45					
Cover on Book Value														
Cover on Market Value														
		Exclusive Security Cover Ratio		Pari passu Security Cover Ratio	1.84	1.10								

- Notes:
1. Capital Work-in-Progress, Right of Use Assets, Intangible Assets, Intangible Assets under Development have not been included as per the practice consistently followed by the Company
2. Receivable under financing activities is part of the non trading book where loans are in the nature of held to maturity and created with a sole objective of collecting principal and interest. Therefore company has considered the book value for this

For Kotak Mahindra Prime Limited

Bharat C Thakkar
Chief Financial Officer
November 14, 2022