
Walker Chandiok & Co LLP

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Independent Auditor's Review Report on Standalone Unaudited Quarterly and Year to Date Financial Results of Prime Securities Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

To the Board of Directors of Prime Securities Limited

1. We have reviewed the accompanying statement of standalone unaudited financial results of **Prime Securities Limited** ('the Company') for the quarter ended 30 September 2020 and the year to date results for the period 01 April 2020 to 30 September 2020 ('the Statement'), being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time.
2. The Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013 ('the Act'), and other accounting principles generally accepted in India and is in compliance with the presentation and disclosure requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing specified under section 143(10) of the Act, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, prescribed under Section 133 of the Act, and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including the manner in which it is to be disclosed, or that it contains any material misstatement.

Prime Securities Limited

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5. We draw attention to Note 4 to the accompanying Statement, which indicates that the Company has adopted IND AS from 1 April 2017 instead of 1 April 2019 and considered the transition date as 01 April 2016 which is not in compliance with Companies (Indian Accounting Standards) (Amendment) Rules, 2016, dated 30 March 2016. However, management has assessed that the impact of applying the appropriate transition date as well as the possible impact of fines/penalty, if any, on account of such non-compliance on the financial statement of the Company would not be material.
6. We draw attention to Note 5 to the accompanying Statement, regarding the Company's investment in and inter-company deposit extended to Primesec Investments Limited (PIL), a wholly owned subsidiary of the Company aggregating to Rs. 4,067 lakhs as at 30 September 2020, which are considered as fully recoverable by the management based on the projected deals and estimated forecast. However, these are dependent on certain assumptions and estimates considered by management, the appropriateness of which is dependent upon the realization of the related business plans.
7. We draw attention to Note 6 to the accompanying Statement, regarding the restatement done by the management of the Company in accordance with the principles of IND AS 8, Accounting Policies, Changes in Accounting Estimates and Errors on account of various adjustments which are further described in the aforesaid note.

Our conclusion is not modified in respect of the above matters.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No:001076N/N500013

Murad D. Daruwalla

Partner

Membership No:043334

UDIN: 20043334AAAAW4075

Place: Mumbai

Date: 05 November 2020

PRIME SECURITIES LIMITED

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(CIN: L67120MH1982PLC026724)

STATEMENT OF STANDALONE FINANCIAL RESULTS FOR THE QUARTER & HALF YEAR ENDED SEPTEMBER 30, 2020

(Rs. in Lakhs, unless otherwise stated)

Particulars	Quarter ended			Half year ended		Year ended
	30-Sep-20 (Unaudited)	30-Jun-20 (Unaudited)	30-Sep-19 (Unaudited) #	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited) #	31-Mar-20 (Audited)
I Revenue from operations						
i) Interest income	27	26	11	53	26	55
ii) Dividend income	-	-	0	-	0	0
iii) Rental income	-	-	1	-	2	4
iv) Fee and commission income	775	510	808	1,285	1,313	2,225
v) Net gain on fair value changes	7	16	-	23	-	-
vi) Gain on sale / redemption of investments (net)	12	13	-	25	-	-
Revenue from operations	821	565	820	1,386	1,341	2,284
II Other income	33	32	65	65	130	260
III Total income (I+II)	854	597	885	1,451	1,471	2,544
Expenses						
i) Finance cost	5	6	2	11	3	8
ii) Fee and commission expense	65	19	40	84	40	540
iii) Net loss on fair value changes	-	-	30	-	49	33
iv) Impairment on financial instruments	-	-	61	-	61	889
v) Employee benefit expenses	160	160	196	320	374	836
vi) Depreciation and amortisation expense	15	17	6	32	12	34
vii) Other expenses	62	52	126	114	175	422
IV Total expenses	307	254	461	561	714	2,762
V Profit / (loss) before tax (III-IV)	547	343	424	890	757	(218)
VI Tax expenses / (credits)						
- Current tax	101	56	90	157	171	(2)
- Deferred tax liabilities / (assets)	(2)	33	(1)	31	(1)	23
VII Profit / (loss) after tax (V-VI)	448	254	335	702	587	(239)
VIII Other comprehensive income/ (loss)						
a) I) Items that will not be reclassified to profit or loss						
(a) Remeasurement of defined employee benefit plans	(4)	4	(7)	(0)	(6)	(7)
II) Income tax relating to items that will not be reclassified to profit or loss	1	(1)	2	0	2	2
b) I) Items that will be reclassified to profit or loss	-	-	-	-	-	-
II) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Other comprehensive income / (loss) (a+b)	(3)	3	(5)	(0)	(4)	(5)
IX Total comprehensive income / (loss) for the quarter / period (VII + VIII)	445	257	330	702	583	(244)
(Comprising profit / (loss) and other comprehensive income for the quarter / period)						
X						
i) Paid-up equity share capital (face value Rs. 5 each)	1,330	1,330	1,330	1,330	1,330	1,330
ii) Other equity						6,098
XI Earning / (loss) per equity share						
(face value Rs.5 per equity share)						
(Rs. not annualised for the quarters and period ended)						
- Basic (amount in Rs.)	1.69	0.96	1.26	2.65	2.21	(0.90)
- Diluted (amount in Rs.)	1.66	0.95	1.25	2.61	2.20	(0.89)

refer note number 6

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STANDALONE STATEMENT OF ASSETS & LIABILITIES

(Rs. in Lakhs, unless otherwise stated)

Particulars	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
ASSETS		
I. Financial assets		
a) Cash and cash equivalents	59	166
b) Bank balance other than (a) above	-	185
c) Receivables		
(i) Trade receivables	230	267
(ii) Other receivables	393	393
d) Loans	3,130	4,525
e) Investments	4,234	2,122
f) Other financial assets	84	40
	8,130	7,698
II. Non-financial assets		
a) Current tax assets (net)	340	383
b) Deferred tax assets (net)	47	78
c) Property, plant and equipment	240	271
d) Other intangible assets	1	1
e) Other non-financial assets	21	30
	649	763
TOTAL ASSETS	8,779	8,461
LIABILITIES AND EQUITY		
I. Financial liabilities		
a) Payables		
(i) Trade payables		
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	45	17
b) Borrowings	20	23
c) Other financial liabilities	227	226
	292	266
II. Non-financial liabilities		
a) Provisions	85	490
b) Other non-financial liabilities	59	277
	144	767
III. Equity		
a) Equity share capital	1,330	1,330
b) Other equity	7,013	6,098
	8,343	7,428
TOTAL LIABILITIES AND EQUITY	8,779	8,461

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STANDALONE STATEMENT OF CASH FLOW FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Rs. in Lakhs, unless otherwise stated)

Particulars	Period ended September 30,2020	Period ended September 30,2019
Cash flow from operating activities:		
Profit before tax	889	751
Adjustments for :		
Depreciation and amortisation expense	32	12
Changes in fair valuation of investment (net) through profit or loss	(23)	-
Gain on sale of investments (net)	(25)	-
Interest Expense	11	3
Interest income on deposits	(52)	(26)
Dividend income	-	(0)
Share based payment to employees	50	43
(Appreciation) /Diminution in value of Investments	-	49
Deposit written off	-	61
Operating profit before working capital changes	882	893
Adjustments for changes in working capital:		
(Decrease) / Increase in provisions	(98)	17
Increase / (Decrease) in trade payables	28	(11)
Increase/ (Decrease) in other financial liabilities	(291)	134
Increase/ (Decrease) in other non-financial liabilities	(218)	(376)
Decrease/ (Increase) in trade receivables	37	-
Decrease/ (Increase) in other non-financial assets	9	10
Total changes in working capital	(533)	(226)
Cash generated from operations	349	667
Taxes paid, net of refunds	(114)	(49)
Net cash generated/(used) from operating activities (A)	235	618
Cash flow from investing activities:		
Purchase of property, plant and equipments including capital work-in-progress	(2)	(9)
Purchase of Investments	(1,902)	(30)
(Increase)/ Decrease in Loans	1,395	(370)
Decrease/ (Increase) in other bank balances	185	-
Interest income	4	26
Dividend received	-	0
Net cash generated/(used) from investing activities (B)	(320)	(383)
Cash flow from financing activities:		
Application Money against warrants	-	-
Borrowings repaid during the year	(3)	(172)
Interest Paid	(1)	(3)
Payment of Lease rent	(23)	(14)
Increase/(Decrease) in security deposit	5	-
Interim dividend (including dividend distribution tax) paid	-	-
Net cash generated/(used) in financing activities (C)	(22)	(189)
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(107)	46
Cash and cash equivalents at the beginning of the period	166	20
Cash and cash equivalents at the end of the period	59	66
Total	(107)	46

Notes:

- 1) The above standalone financial results have been prepared in accordance with the recognition and measurement principles of Ind-AS prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India. The standalone financial results were reviewed by Audit Committee and taken on record by the Board of Directors at its Meeting held on November 05, 2020. The results for the quarter and half year ended September 30, 2020 have been reviewed by the statutory auditors of the Company.
- 2) COVID-19 pandemic continues to remain a major public health emergency. The resultant lockdown imposed by Government is now gradually been phased out and the economic activities across the nation are slowly returning to its normal. All the employees of the Company continues to work from home. The Company believes that it has taken into account all the possible impact of known events arising out of COVID-19 pandemic in the preparation of financial results. However the impact assessment of COVID 19 is a continuing process given its nature and duration. The Company is continuously monitoring any material changes to future economic conditions.
- 3) The Board of Directors had, on January 9, 2020, approved the Scheme of Arrangement, under Sections 230 to 232 read with Section 66 & Section 52 & other applicable provisions of the Companies Act, 2013 and the rules & regulations made thereunder, comprising merger of wholly-owned subsidiaries, Primesec Investments Limited & Prime Commodities Broking (India) Limited into the Company. Post receipt of No Objection from Stock Exchanges / SEBI, an application was filed with NCLT for approval of the Scheme of Arrangement, which has been admitted and the NCLT has granted dispensation from holding meeting of Shareholders / Creditors. Copy of the order is awaited. Post receipt of representation from statutory and regulatory authorities, NCLT will take up Petition for approval of Scheme of Arrangement.
- 4) The Company had adopted Ind-AS from April 1, 2017 and comparative financial information for the year ended March 31, 2018 and transition date opening balance sheet as at April 1, 2016 were prepared in accordance with Ind-AS. The Company being a listed NBFC (for the purpose of complying with IND AS, as per the provisions of the Companies (Indian Accounting Standard) Rules, 2015) with a net-worth of less than Rs. 500 crores, should have adopted Ind AS from April 1, 2019 with transition date being April 1, 2018 in accordance with Companies (Indian Accounting Standards) (Amendment) Rules, 2016, dated March 30, 2016.
The Management has ascertained the impact of change in transition date from April 1, 2016 to April 1, 2018 which has an insignificant impact on the equity and the management believes that no adjustment is required in the financial results for the current quarter and half year ended.
Further, the Management has also sought legal opinion to ascertain the qualitative and quantitative impact, for the contravention of Companies (Indian Accounting Standards) (Amendment) Rules, 2016, dated March 30, 2016 and believes that the same is not material to the financial results.
Further, the Ministry of Corporate Affairs (MCA), vide its notification dated October 11, 2018 issued Division III of Schedule III, which provides the format for financial results of Non-Banking Financial Companies, as defined in the Companies (Indian Accounting Standards) (Amendments) Rules 2016. These Financial results have been prepared in accordance with Division III. The corresponding figures for the quarter and half year ended September 30, 2019 has been reclassified to comply with the requirements of the Division III.
- 5) The Company has a financial exposure of Rs. 4066.75 lakhs as at September 30, 2020 in its wholly owned subsidiary viz. Primesec Investment Limited ('PIL') – investment in equity shares and inter-Company deposits. PIL has a negative net-worth of Rs. (2640.77) Lakhs. However, having regard to efforts undertaken by the Board of PIL, among other things to augment revenue sources and realise value of its investments, the financial results of PIL have been prepared on the basis that it is going concern and that no adjustment are required to the carrying value of asset and liabilities.
Based on the aforesaid facts, projected deals, estimated forecast and proposed Scheme of arrangement, approved by the Board of Directors, pending approval from NCLT, the management believes that no provision is necessary for diminution in the value of the Company's financial exposure in PIL.
- 6) In accordance with the requirements of Indian Accounting Standards (Ind-AS) - 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the management has restated certain account balances for the comparative quarter and half year in order to comply with the accounting principles enunciated under the relevant Ind-AS's:
 - a) Employee Benefit Expenses for the quarter and half year ended September 30, 2019 aggregating to Rs. 195.76 lakhs and Rs. 374 lakhs respectively have been adjusted:
 - (i) on account of de-recognition of expenses pertaining to share based payment transactions to the tune of Rs. 138.25 lakhs and Rs. 120.18 lakhs respectively, and
 - (ii) on account of de-recognition of expenses related to performance bonus to the tune of Rs. 263 lakhs and Rs. 198 lakhs respectively.
 - b) Depreciation Expense for the quarter and half year ended September 30, 2019 aggregating to Rs. 6.34 lakhs and Rs. 11.72 lakhs respectively have been adjusted for Rs. 1.65 lakhs and Rs. 3.28 lakhs respectively on account of reversal of depreciation expense pertaining to reclassification of PPE to 'Other receivable' as per Ind-AS 16 to the financial asset to the tune of Rs. 392.80 lakhs for the quarter and half year ended September 30, 2019.
 - c) Other income for the quarter and half year ended September 30, 2019 aggregating to Rs. 65.00 lakhs and Rs.130 lakhs respectively adjusted on account of income from Business Support Service charged to its subsidiary company in accordance with the cost sharing agreement.
- 7) The Company has only one segment i.e. Financial Advisory & Intermediation services. There are no separate reportable segments as required by Ind-AS 108.
- 8) The amounts reflected as "0" in the Financial Information are values with less than rupees fifty thousand.
- 9) Previous quarter / period ended figures have been regrouped / reclassified, wherever found necessary, to confirm to the quarter and half year end presentation.

Mumbai,
November 05, 2020

For Prime Securities Limited

JAYAKUMAR
NARAYANSWAMI

N. Jayakumar
Managing Director & Group CEO