

# **INTER GLOBE FINANCE LIMITED**

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## **THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **GLOBAL ECONOMIC OVERVIEW**

According to the World Bank, Global GDP is projected to grow at 2.7% in 2017, after an estimated growth of 2.3% in 2016. Growth rate is expected to move up to 2.9% in 2018. The International Monetary Fund (IMF) figures are little more optimistic. IMF expects global economy to grow by 3.5% in 2017 after an estimated growth of 3.1% in 2016.

The year under review witnessed two significant developments on the global front: - Brexit and the US presidential elections. Both events have had an adverse impact on open trade. Several developed economies are becoming increasingly protectionist. The process of globalization now seems to be on reverse gear. While the US economy seems to be strengthening, doubts have emerged about its sustainability due to the actions taken by the new president. The rejection of the Trans Pacific Partnership (TPP) and a call to renegotiate the North Atlantic Free Trade Agreement (NAFTA) by the US President has created uncertainty on global trade and commerce.

There are several red flags to watch out for. Tension on the geo-political front has increased with the rise of the ISIS (Islamic state of Iraq & Syria) and the sporadic terrorist attacks in different countries. There is growing tension between USA and North Korea. The assertiveness of china and Russia also do not augur well for global geopolitics. There is not enough clarity on the US policy towards china, but in case a trade war breaks out between china and USA, it can have a serious global repercussion.

### **INDIAN ECONOMIC OVERVIEW**

India continues to hold on to its position of the fastest growing major economy in the world. India has achieved this position despite of the huge disruption caused by the Demonetization Drive that was initiated by the government in November, 2016 to curb black money.

India's GDP growth rate has been estimated to be 7.1%, 7% and 6.8% by the Central Statistics Office (CSO), the World Bank and IMF, respectively. For the F.Y 2017-18, the Economic Survey has predicted that India's GDP growth rate will be within a range of 6.75-7.5%. Most other institutions have predicted growth rates within that range, only the World Bank has predicted a higher rate of 7.6%.

During the year under review, the government of India has performed well on a number of fronts. There was considerable progress made in building consensus for the Goods & Service Tax (GST) and now GST is likely to be rolled out from 1<sup>st</sup> July, 2017. Passing of the Insolvency & Bankruptcy Code (IBC) 2016 was another major achievement.

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

NBFCs have always played an important role in promoting financial inclusion in India. They have been complementing and supplementing the banking sector in reaching out credit to the un-banked segments of the society. The biggest contribution of NBFCs is their ability to cater to the needs of the Micro, Small & medium Enterprises (MSMEs) which form the cradle of Entrepreneurship and innovation in India. NBFCs innate ability to understand their customers' needs and accordingly innovate to offer customized products make them the perfect conduit for credit delivery to MSMEs.

In addition, NBFCs like Asset Finance Companies (NBFC-AFCs) and Infrastructure Finance Companies (NBFC-IFCs) are actively contributing to the process of nation building, especially at a time when banks are reluctant to take more exposure on infrastructure projects.

According to the Financial Stability Report (FSR) released by RBI, NBFC loans expanded 16.6% in 2015-16, twice as fast as the 8.8% credit growth across the banking sector on an aggregate level. The aggregate balance sheet of the NBFC sector expanded 15.5% in fiscal 2016 compared with 15.7% the previous year. Net profit percentage of total income remained at 15.3% between March 2015 and March 2016 and RoA (Return on Assets) stood at 22% during the same period. NBFCs also performed better in terms of asset quality, even though the bad loan norms for these firms are not as stringent as those for full-fledged commercial banks. The gross non-performing assets (GNPA) ratio for the NBFC sector declined to 4.6% of total advances in March 2016 from 5.1% in September 2015.

### **INTER GLOBE FINANCE-AN OVERVIEW**

Today, IGFL is one of West Bengal's leading & valuable financial management & advisory services company in the eastern region. Through its lending and financing solutions IGFL has enabled its customers to pursue ambitious growth strategies and execute value creating transactions. Our Vision is to become the most respected company in the financial services space in India. Our Business Strategy is to have a steady growth by adapting to the changing environment, without losing the focus on our core domain of financial services.

IGFL is a knowledge driven organization and has over the years developed and institutionalized knowledge about its businesses at all the levels.

Unlike conventional corporate lenders, we provide easy finance with hassle-free documentation through a speedy and transparent process. IGFL is at the right place, at the right time and with the right skill sets. The Government of India is strongly focusing on steps to stimulate the rural economies and we believe that we have a significant part to play. As we diversify our product portfolio to other forms of secured financing, we will soon have an entire spectrum of financial products under the IGFL umbrella.

### **Financial Review**

The Business strategy of reducing Equity investments and focusing on core loan activity helped company deliver robust numbers. The summary of our financial performance is as follows:

- Our Interest Income stood at Rs.666 lakhs.
- Profit after tax increased to Rs. 156.60 lakhs in 2016-17 against Rs. 27.37 lakhs in 2015-16.
- Earnings per share (EPS) stood at Rs. 2.30 in current year against Rs. 0.40 in 2015-16.

## **Road ahead & Future Outlook**

The year 2016-17 was crucial for us and we took some significant steps towards rebuilding ourselves with a better growth plan. Our business performed well, giving us confidence to expand our presence in other parts of the country. In order to diversify its product portfolio, your company has recently tied up with other NBFC & MFI for 2-wheeler loans in Jharkhand and MFI loan disbursement in the state of West Bengal. This new arrangement would benefit the company in expanding its NIMs apart from geographical expansion.

The Company has recently been sanctioned credit facility from Banks & NBFC. Given the Debt: Equity Ratio of less than 0.1 and newer opportunities available, the company would look at cheaper sources of funds to increase its overall NIMs.

The company is also exploring newer growth avenues like:

- a) Electric Auto Rickshaw
- b) School Institution funding
- c) Micro Business Loans
- d) 2 Wheeler funding in Asansol & Durgapur

## **INTERNAL CONTROL SYSTEMS AND ADEQUACY OF INTERNAL CONTROL**

In any industry, the processes and internal control systems play a critical role in the health of the Company. The Company's well-defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Moreover, the Company continuously upgrades these systems in line with the best available practices.

The Board has an Audit Committee with independent directors in majority to maintain the objectivity.

IGFL has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly, applicable statutes and corporate policies are duly complied with.

The Audit Committee also seeks the views of statutory auditors on the adequacy of the internal control systems in the Company. Moreover, IGFL continuously upgrades these systems in line with the best available practices.

## **OPPORTUNITIES & THREATS**

### **• Opportunities**

Non-Banking Financial Companies (NBFCs) are fast emerging as an important segment of Indian financial system. The Company provides long term financing to the Logistics, Share Brokers, Integrated Steel Plants, Real Estate Developer, Infrastructure Conglomerates, Airport Ground Handling Services, Retail Marts, Iron-ore Mine Industries and Power Sector. Thus, the Company has broadened and diversified the range of products and services offered by a financial sector. Gradually, the Company, being recognized as complementary to the banking sector due to its

customer-oriented services; flexibility and timeliness in meeting the credit needs of specified sectors; etc.

- **Threats**

Being an NBFC, the Company has to face various threats as under mentioned;

- \* High cost of funds
- \* Slow industrial growth
- \* Stiff competition with NBFCs as well as with banking sector
- \* Nonperforming assets

## **RISK MANAGEMENT**

Our Company constantly invests in people, processes and technology as the Company acknowledges that these are vital elements for mitigating various risks posed by the environment. The Company has established detailed procedures and policies for underwriting across various product categories, based on the credit profile of the customers.

While risk is an inherent aspect of any business, the Company, being a financial company is exposed to various numerous risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit risk and market risk. The most important among them are credit risk, market risk and operational risk. The Company has the overall responsibility of ensuring that an effective risk management framework is aligned to its objectives.

In retail loan businesses like ours, overall portfolio diversification and reviews also facilitate mitigation and management.

## **HUMAN RESOURCES & INFRASTRUCTURE DEVELOPMENT**

Your Company recognizes people as its most valuable asset and it has built an open, transparent and meritocratic culture to nurture this asset. Employees are central as well as critical to the Company as they are the real assets of the organization. The Company believes in retaining high caliber employees while engaging and nurturing them to achieve great heights in the area of operations. The employee relationship with the company remained harmonious throughout the year.

Your Company is in the growth stage of the IT framework and would see a slew of new projects with strategic benefits and will lead the Company being perceived as a leader in information technology for the entire industry. There is a constant endeavor to move up the IT maturity curve and deliver value to businesses and customers.

## **CAUTIONARY STATEMENT**

The Board of Directors have reviewed the Management Discussion and Analysis prepared by the Management, and the Independent Auditors have noted its contents. Statement in this report of the

Company's objective, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. The statements may be subjected to certain risks and uncertainties. Company's operations are affected by many external and internal factors which are beyond the control of the management. Thus the actual situation may differ from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

**Registered Office:  
Board**

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Dated:-May 29, 2017

**By Order of the**

**Suresh Kumar Jain**  
*Managing Director*  
*DIN: 01151644*