

# **INTER GLOBE FINANCE LIMITED**

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CIN No. L65999WB1992PLC055265

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

### **GLOBAL ECONOMIC OVERVIEW**

The World Bank forecasts global economic growth to edge up to 3.1 per cent in 2018. This comes after a 3 percent growth achieved in 2017. Growth rate is projected to be 3 per cent in 2019. The International Monetary Fund (IMF) presents a more positive outlook. It expects the global economy to grow at 3.9 per cent both in 2018 and 2019 after growing at 3.6 per cent in 2017. The global economy is experiencing a broad-based cyclical upturn, riding on a recovery in investment, manufacturing, trade and firming commodity prices, which is expected to sustain over the next couple of years. However, downside risks persist which can have wider ramifications on other countries:

- US economy is becoming increasingly protectionist. The recent increase in tariffs for select import items and China's retaliation can escalate into a full-fledged trade war;
- Crude prices have started firming up. The future direction of oil prices will depend on how much US-based shale producers can step up production to counter the production cuts carried out by Organization of Petroleum Exporting Countries (OPEC)-plus grouping;
- There is a sense of growing uncertainty in geopolitics in several pockets – be it the civil war at Syria, the conflict in the Middle East between Saudi Arabia and Iran-Qatar, the tension in Korean peninsula, or even China's aggressive expansionism and belligerent posturing in the South China Sea.

Putting an end to its quantitative easing (QE) programme, the US Federal Reserve has increased its key interest rate six times since December 2015. The European Central Bank (ECB) is also contracting its monetary expansion.

It is therefore not a surprise that as per the World Bank forecasts, the Emerging Market and Developing Economies (EMDEs) will be the main drivers of global growth. The EMDEs, after registering a 4.3 per cent growth rate in 2017, is expected to clock a growth rate of 4.5 per cent in 2018 and thereafter growth rate will further strengthen to 4.7 per cent in 2019. The advanced economies (AEs), after growing at 2.3 per cent growth rate in 2017, are expected to clock a growth rate of 2.2 per cent in 2018 and then further slow down to 1.9 per cent in 2019.

## **INDIAN ECONOMIC OVERVIEW**

India's GDP growth stood at 6.6 per cent in 2017-18 as per data from Central Statistics Office (CSO). After conceding its position as the fastest growing major economy to China for a year in 2017, India is poised to regain the position in 2018. The World Bank predicts a GDP growth rate of 7.3 per cent in 2018 whereas the IMF estimates the figure at 7.8 per cent for the same year. The Economic Survey 2017-18 has forecast a GDP growth of 7-7.5 per cent in 2018- 19. Clear signs of a pick-up in economic activity were visible during the year under review. Growth momentum in sectors like agriculture, manufacturing and construction has been on the rise.

The Index for Industrial Production (IIP) has grown at more than 7 per cent for four consecutive months from November, 2017 to February, 2018. The manufacturing sector, which constitutes over 77 per cent of the IIP index, grew at 8.7 per cent in February, 2018. Capital goods output rose by a robust 20 per cent in the same month. Consumer demand has remained strong and a sharp pickup in demand for consumer durables is also visible in recent months. All these developments give an impression that the economy may be on a sustained recovery path. Last financial year 2017-18 has witnessed a year of growth for the Indian economy making it once again regain its position as the world's fastest growing major economy. There is renewed excitement about the India Growth Story.

The biggest achievement during the year under review was the roll-out of the Goods and Services Tax (GST). Despite some initial documentation-related problems faced by smaller enterprises, GST is a giant step forward in creating a stable and transparent taxation regime and will reap rich dividends for the economy.

## **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.

During the year under review, RBI made the following amendments to the regulatory framework for NBFCs:

- Information Technology Framework for the NBFC sector was prescribed with focus; on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit and IT Outsourcing;
- Infomerics Valuation and Rating Private Limited (IVRPL) was accredited for rating of NBFCs;
- All NBFCs notified as Financial Institutions under the SARFAESI Act were asked to appoint nominated counsels in Hon'ble Delhi High Court;
- Regulation of Peer to Peer Lending NBFCs were issued;
- Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs were issued;
- Mandatory submission of financial information and information relating to assets in which security interest has been created, to the Information Utility in compliance to the Insolvency and Bankruptcy Code, 2016. National E-Governance Services Ltd (NeSL) has been registered as the Information Utility by IBBI;
- Ombudsman Scheme for NBFCs was introduced. It shall be applicable to only Deposit Taking NBFCs in the initial phase and then extended to all NBFCs with asset base of Rs. 100 crores and above;
- Relief given to MSME borrowers registered under GST by way of extending the asset classification norm to 180 days for amounts overdue on September 01, 2017 and amounts due between September 01, 2017 and January 31, 2018.

### **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.843.20 lakhs in 2017-18 against Rs. 666 lakhs in 2016-17.
- Profit after tax decreased to (Rs.144.18 lakhs) in 2017-18 against Rs. 156.60 lakhs in 2016-17.
- Earnings per share (EPS) stood at (Rs.2.11) in current year against Rs. 2.30 in 2016-17.

The performance of the company got impacted due to one of the major account turning into NPA. The Company has taken legal steps for recovery and has fully provided for the said NPA. The total provision during the year was Rs 243.46 lakhs.

### **Road ahead & Future Outlook**

The year 2017-18 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 had 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 has benefited the company in expanding its NIMs apart from geographical expansion.

The company had also explored newer growth avenues like:

- a) School Institution funding.
- b) Micro Business Loans.

During the year, the company suffered major setback due to unfortunate demise of the Managing Director of the Company Mr. Suresh Kumar Jain on 19<sup>th</sup> February 2018.

Also during the year, SEBI had issued an interim order against the company on 1<sup>st</sup> March 2018. The Company had subsequently made appropriate representation before SEBI and the matter is currently pending.

## **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:**

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Dated:-May 30, 2018

**By Order of the Board**

**Navin Jain**  
*Managing Director*  
*DIN: 01197626*