THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC AND INDUSTRY OVERVIEW:

Global Economic Overview :

The beginning of 2022 was marked by optimism, driven by pent-up demand and the expanding reach of vaccinations. However, in February, Russia's attack on Ukraine caused an unprecedented humanitarian and economic crisis. Driven by both the pandemic recovery and the Ukraine conflict, prices of both fuel and non-fuel commodities significantly rose, leading to an inflation rate of 8.7%. To combat inflation, central banks around the world raised policy rates. However, commodity prices eventually stabilised as growth slowed. Additionally, the Chinese economy reopening after strict lockdowns brought about a sense of optimism, as it was expected to alleviate disruptions in the global supply chain. The global economy reported a growth of 3.4% in 2022, from 6.1% in 2021.

Fuel and non-fuel prices are expected to decline in 2023 and 2024. Crude oil prices are projected to fall by about 24% in 2023 and a further 5.8% in 2024. Primary commodity prices declined 28.2% between August 2022 and February 2023 led by energy commodities, down 46.4%. This will result in a fall of global inflation rate to 7% for 2023 and 4.3% for 2024.

Against the growth rate of 3.4% in 2022, the world economy is projected to grow at 2.8% in 2023. The same is expected to improve to 3.0% in 2024. The growth will be majorly driven by developing and emerging economies. Developing economies will clock higher growth of 3.9% in 2023 and 4.2% in 2024 whereas advanced economies are expected to grow at 1.3% in 2023 and at 1.4% in 2024. For Emerging & Developing Asian Countries, the growth is projected at 5.3% in 2023, 5.1% in 2024 as against 4.4% growth in 2022.

It is expected that 76% of economies will experience lower headline inflation in 2023. By 2025, it is expected that the inflation to be close to targets in most of the economies. 90% of the advanced economies are expected to struggle, while developing countries like India and China are predicted to have a certain uptick contributing nearly half of the economic growth in 2023 while US and Europe contributing 10% only.

Indian Economic Overview :

India remains at a radiant spot and among the very few top countries to showcase and continue its resilient growth, despite slower growth projection. As per the second advance estimates, GDP growth for FY23 is estimated to be 7% fuelled by strong urban and rural consumption and lesser reliance on global demand. Higher tax collections, direct tax and GST, has shelved India from the global economic slowdown.

The RBI has projected India's GDP growth at 6.5% for FY24 and has predicted inflation to subside at 5.2% with governments focus on capital expenditure, better capacity utilisation and moderate commodity prices. As per the latest Monetary Policy, quarterly inflation for FY24 is projected for Q1 at 5.1%, Q2 at 5.4%, Q3 at 5.4% and Q4 at 5.2%.

The wide pipeline laid down by Government of India in the FY24 budget for capital spend will encourage project commissioning and will assist investment demand. The quarterly GDP growth projections for FY24 is Q1 at 7.8%, Q2 at 6.2%, Q3 at 6.1% and Q4 at 5.9%. FY24 is expected to see higher growth in investment, due to supportive government policies, sound macroeconomic fundamentals, improved asset quality and strong growth in credit among the private and MSME sectors.

India is expected to achieve its fiscal deficit target of 5.9% (of GDP) against 6.4% for FY23 and stabilise the debt to GDP ratio. The Government aims to bring down the fiscal deficit below 4.5% by FY26. Export of services has been a stronghold and will continue to grow robustly and strengthen India's overall balance of payments position.

NBFC Industry Overview :

The RBI has been appreciative of the efforts of NBFCs including their efforts towards covering individuals beyond the financial fold. NBFCs are expected to focus upon new business such as unsecured loans and the SME segment which promises a higher growth prospect as compared to the traditional products. Additional funding of Rs. 2.9 to 3.3 Trillion in FY24 would be required to achieve the projected growth.

NBFC-Retail sector AUM is projected to grow at the rate of 12-14% in FY24 and reach Rs. 14.7 Trillion by March 24. NBFCs are being instrumental to leverage technology for quicker paperless disbursals and wider coverage in terms of people. NBFCs are expected to focus improving the asset quality and further improve their profitability. NBFCs spread across segments are looking to knit together in a community with the help of technology to offer a bouquet of products which will also help smaller and mid-sized NBFCs to scale and grow among the established.

The asset quality has continued to improve when compared to the pre-pandemic point as NBFCs wrote off most of the bad loans. The new write-offs will be at a moderate level when compared to historical levels. The overall industry Provision Coverage Ratio (PCR) for NBFCs has been improving steadily over the last two years. NIMs for Retail NBFC sector are expected to remain around 7.5-7.6% for FY24 in line with estimated for FY23 and FY22 actual. However, the segment may see a rise in Opex in FY24 to 4.3% from 4.1% in FY23(P) and 3.6% in FY22 due to recovery efforts and scale expansion.

INDUSTRY STRUCTURE AND DEVELOPMENT

NBFCs (Non-Banking Financial Companies) play a vital role in –promoting inclusive growth in the country, by catering to the diverse financial needs of bank excluded customers. Further NBFCs often take lead role in providing innovative financial services to Micro, Small and Medium(MSMEs) most suitable to their business requirements.

NBFCs are financial intermediaries engaged in the business of accepting deposits delivering credit and play an active role in channelizing the scarce financial resources to capital formation. They supplement the role of the Banking sector in meeting the increased financial needs of the corporate sector delivering credit to the unorganized sector and to small local borrowers.

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The RBI and the Government have taken several measures to enhance system liquidity and strengthen the governance and risk management framework of NBFCs including HFCs :

- Removal of 25% Debenture Redemption Reserve (DRR) Requirement.
- Relaxation of end use restrictions on external commercial borrowings from recognized lenders
- Allowance of Partial Credit Enhancements to banks for bonds tenured three years and above
- Relaxation of the minimum holding period of loans with original maturities> 5 years to encourage securitizing assets
- Allowing co origination of loans with scheduled commercial banks
- Liquidity coverage ratio maintenance of 50% and 30% as per size of AUM
- Interest subvention scheme for NBFC-ND-Si for loans provided to MSMEs to the extent of 2% for all GST Registered MSMEs
- One time restricting of existing loans to MSMEs

In addition, the RBI undertook a series of initiatives to strengthen the financial services industry, like accommodative monetary policies, reducing the benchmark rates by 115 basis points.

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. 6.07 Crores during the year.
- During the year there was a profit of Rs. 1.84 crores during the year.
- The Company's total turnover amounted to Rs. 21.39 Crores in comparison to Rs. 21.06 Crores in the previous financial year 2021-22.
- Earnings per share (EPS) stood at Rs. 2.71 in current year.

ROAD AHEAD & FUTURE OUTLOOK

The Company focussed on its core lending business and took requisite steps for the recovery of Non Performing Assets. Your Company also plans to take advantage of the growing financial market & increase investment in Equity.

INTERNAL CONTROL SYSTEMS ANDADEQUACY 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 practice.

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.

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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 a 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;
  – Non-performing assets.

RISK MANAGEMENT

Being in the lending business, risk management forms a vital part of our business. The Company has a well-defined risk management framework approved by the Board of Directors. It provides the mechanism for identifying assessing and mitigating risks.

HUMAN RESOURCES & INFRASTRUCTURE DEVELOPMENT

People are our key pillars of strength. This belief was further strengthened as our people showed tremendous resilience and extraordinary commitment during the pandemic times to bring the Company back to its core performance.

Our people are our key assets. In an increasingly competitive market for talent, we focus on attracting and retaining the right talent and fostering a work culture that is always committed to providing the best opportunities to employees to realize their potential.

IGFL is committed to create a vibrant and inclusive workplace for all its employees and actively takes steps to ensure these are well enshrined in our policies and practices. We remain an equal opportunity employer and follow non-discrimination in all our practices.

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.

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Date : August 23, 2023

On behalf of the Board
Sd/-
Navin Jain
Chairman & Managing Director (CMD)
(DIN - 01197626)