



INTER GLOBE FINANCE LIMITED

THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

The Indian economy rebounded from the global economic slowdown of 2007-08. India's GDP grew 8.6 % in 2010-11 against 7.2% in 2009-10, catalysed by a growth in agriculture and a forward momentum in the manufacturing sector.

Indian economy Highlights:

- Inflation was 15.92 % while food inflation peaked at 9.5 %
- Per capita income rose from Rs 33,731 in 2009-10 to Rs 36,003.
- Forex reserves improved to USD 305.49 billion from USD 279.09 billion.
- India's wireless network became second largest in the world.
- India reported 34 % savings & 37 % investment of GDP

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian economy is going through a period of rapid 'financial liberalisation'. Today, the 'intermediation' is being conducted by a wide range of financial institutions through a plethora of customer friendly financial products. The segment consisting of NBFCs, such as equipment leasing/hire purchase finance, loan and investment companies, etc. have made great strides in recent years and are meeting the diverse financial needs of the economy. These NBFCs provide a variety of services including fund-based and fee-based activities and cater to retail and non-retail markets and niche segments. They are being recognized as complementary to the banking sector due to their customer-oriented services, simplified procedures, attractive rates of return on deposits, flexibility and timeliness in meeting the credit needs of specified sectors.

IGFL, headquartered in Kolkata, is one of West Bengal's leading non-banking financial company having diversified interests in the financial services sector. IGFL today has emerged as a strong & reliable player in a fiercely competitive market of financial services.

Over the years, IGFL has built a strong presence in the market through its cumulative experience, strong distribution network as well as sound systems and processes. The company's long-term aspiration is to play a significant role in meeting the financial requirements of retail customers as well as corporate clients.

FINANCIAL & BUSINESS REVIEW

The Company's operations continue to be mainly focused in the areas of NBFC activities - Financing, Inter- corporate Investments & Capital Market activities.

In spite of limited resources, our Company performed extremely well in every aspect for dynamic increase of interest income. Interest Revenues have now climbed to a high of Rs.653 lacs in F.Y. 2010-11 as against of Rs.252 Lacs in F.Y. 2009-10 which shows an absolute increase of about Rs 401 lacs. The core business income of the company measured by Net interest income (NII) increased to Rs. 136 lacs against Rs 48 lacs in F.Y. 2009-10 reflecting an increase of more than 280 %.

However unfavorable capital market conditions resulted in fall in income from investments to Rs 22 lacs against Rs 99 lacs last year; resulting in fall in profit after tax to Rs. 40 lacs against Rs 100 lacs last year.

IGFL has been able to bring in higher operating efficiencies within the company based on the understanding and strength of our superior knowledge of local markets and efficient, proactive and conservative approach.

During the period under report, the Honorable High Court of Kolkata approved the scheme of arrangement vide its order dated May 16,2011 which strengthen the company by bring in strategic investors as promoters into the company and in wiping out its old accumulated losses of Rs 300 lacs. The Company had issued 4822295 fresh equity shares of Rs.10/- each to the share holders of erstwhile companies. This has resulted in infusion of fresh capital into the company to fuel its future growth plans. The Company has also retired high cost funds during March 2011 which would further help in increasing our net interest margins (NIMs). Our various initiatives and benefits would reflect from second half of F.Y.2011-12.

FUTURE OUTLOOK

IGFL is currently engaged in NBFC activities & Financial Management and Advisory Services. The Company intends to continue focusing on NBFC activities including financing, Inter-corporate Investments & Capital Market activities.

At the same time the company has plans to expand its business by offering a wide array of financial products and services. Apart from financial products, IGFL also plans to foray into warehousing in the near future, by way of direct purchase of warehouses or by way of acquisition of companies, to diversify its product portfolio.

Looking at ample growth opportunities, the management has also proposed to the share holder to increase their borrowing power & raise fresh money in various forms which would help us to expand our loan portfolio to Rs 250 Cr by March 2013.

In the upcoming years, IGFL will strive to be one of the top financial services businesses in India focused on delivering superior customer experience through class leading services and

competitive products while providing consistent and superior returns to the company's shareholders and at the same time maintaining the high levels of integrity.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

IGFL will strive to be one of the top financial services businesses in India focused on delivering superior customer experience through class leading services and competitive products while providing consistent and superior returns to the company's shareholders and at the same time maintaining the high levels of integrity. To carry out its Mission over the next three years, and achieve its financial objectives, IGFL will rest firmly on three fundamental strengths.

- ❖ The Company will try to get a sustainable credit rating that will help to provide source to access to a wide range of financial markets and funding sources supported by a Capital Adequacy Ratio in excess of 10% using a risk weighting of 100 for SME loans.
- ❖ The Company has a strong operational and risk management framework that will support to double the current size of the Company by achieving a cost efficiency ratio with a vision to achieve the total assets of not less than Rs.250 Crores by March 2013.
- ❖ The Company has a strong knowledge base on relevant business experience and a wide network of contacts in Eastern India.

These fundamental strengths place IGFL in a highly competitive, long term position that clearly defines its strategies.

ADEQUACY OF INTERNAL CONTROL

The Company has a proper and adequate system of internal control in all spheres of its activities to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported diligently.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

RISKS & CONCERNS

Being a Financial company, IGFL is exposed to specific 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 measurement, monitoring management of risk remains key focus areas for the company.

IGFL has laid down stringent credit norms through the Lending Policy Framework approved by the Board. The company maintains a conservative approach and manages the credit risk

through prudent selection of clients, delegation of appropriate lending powers and by stipulating various prudential limits.

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

HR & INFRASTRUCTURE DEVELOPMENT

Today IGFL has entered a new eon of its functioning, but at the same time it is effortlessly able to maintain its existing resources by keeping pace with the changing business environment and by ensuring staff continuity. The Company has a team of able and experienced industry professionals and employees.

During the year, the company further strengthened its IT infrastructure and systems to support its operations.

RESPONSIBILITY FOR THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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.

By Order of the Board

Mr. S. K. Jain

Director

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DATED: 5th August, 2011