# IFCI FACTORS LIMITED

## 25TH ANNUAL REPORT

## 2019-20

# CONTENTS

# IFCI FACTORS LIMITED

## Corporate Information

As on 27 August 2020

### Board of Directors

| | |
|---|---|
| Mr. Sachikanta Mishra | Nominee Director |
| Mr. Arvind Kumar Jain | Director |
| Ms. Madhushree Nanda Agarwal | Director |
| Mr. Biranchi Narayan Nayak | Additional Director |
| Mr. Suresh Kumar Jain | Additional Director |
| Mr. Bikash Kanti Roy | Managing Director |

### Registered Office

10th Floor, IFCI Tower,
61 Nehru Place,
New Delhi 110019

### Website & Email Id

www.ifcifactors.com
manidevsadh@ifcifactors.com

### Company Secretary

Mr. Mani Dev Sadh

### Chief Financial Officer

Mr. Manish Jain

### Principal Officers

| | | |
|---|---|---|
| Mr. Amit Kaul | Mr. Ravi Ranjan Singh | Mr. Ramesh Babu |
| Sr. Vice President | Officiating Sr. Vice President | Vice President |

### Statutory Auditors

SVP & Associates
Chartered Accountants, New Delhi

### Debenture Trustee

Vistra ITCL (India) Limited
The IL&FS Financial Centre,
Plot C- 22, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai 400051

### Bankers

Canara Bank
Andhra Bank

# NOTICE

NOTICE is hereby given that the Twenty-Fifth (25th) Annual General Meeting of the Members of IFCI Factors Limited will be held on Friday, September 25, 2020 at 10th Floor, IFCI Tower, 61, Nehru Place, New Delhi-110019 at 12:00 noon to transact the following business:

## ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements of the Company for the year ended March 31, 2020 and the report of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Arvind Kumar Jain (DIN: 07911109), who retires by rotation and being eligible, offers himself for re-appointment.

3. To fix the remuneration of the Statutory Auditors of the Company for the Financial Year 2020-21 as appointed by the Comptroller & Auditor General of India and to pass the following Resolution, with or without modification(s), as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 139(5), 142 and all other applicable provisions, if any, of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory Auditor(s) of the Company appointed by Comptroller and Auditor General of India for the Financial Year 2020-21, as may be deemed fit."

## SPECIAL BUSINESS

4. Appointment of Mr. Biranchi Narayan Nayak (DIN No.-00144147) as a Director of the Company:

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013 and the relevant rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members be and is hereby given to the appointment of Mr. Biranchi Narayan Nayak (DIN No.-00144147), who was appointed as an Additional Director w.e.f. July 22, 2020 and who holds office as such upto the date of ensuing Annual General Meeting in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from him proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."

5. Appointment of Mr. Suresh Kumar Jain (DIN:- 05103064) as a Director of the Company:

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013 and the relevant rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members be and is hereby given to the appointment of Mr. Suresh Kumar Jain (DIN:- 05103064), who was appointed as an Additional Director w.e.f. July 22, 2020 and who holds office as such upto the date of ensuing Annual General Meeting in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from him proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."

By Order of Board of Directors

August 27, 2020
New Delhi

Mani Dev Sadh
Manager & CS

IFCI Factors Limited
Registered Office:
10th Floor, IFCI Tower, 61,
Nehru Place, New Delhi – 110019
CIN: U74899DL1995GOI074649
Phone: +91-11-41642805
Website: www.ifcifactors.com
Email: manidevsadh@ifcifactors.com

Notes:

1. A member entitled to attend and vote at the Annual General Meeting (the "AGM") is entitled to appoint a Proxy to attend and vote on a poll instead of himself and the Proxy need not be a member of the company. The instrument appointing the Proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of AGM. A person can act as a Proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as Proxy and such person shall not act as a Proxy for any other member
2. During the period beginning 24 hours before the time fixed for the commencement of the AGM and ending with the conclusion of the AGM, a member would be entitled to

inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of Notice in writing is given to the Company.

3. All documents referred to in the accompanying Notice as well as the other documents as required under the provisions of the Companies Act, 2013 are open for inspection at the Registered Office of the Company during normal business hours on working days up to the date of this AGM. The Registers required to be maintained under Section 170 of the Companies Act, 2013, will be available for Inspection at the AGM.
4. Corporate members intending to send their authorised representatives to attend the AGM are requested to send to the Company a certified copy of their Board Resolution/s authorising their representative/s to attend and vote on their behalf at the AGM.
5. Members are requested to bring their attendance slip along with their copy of Annual Report to the AGM.
6. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.
8. Members are requested to kindly communicate immediately any change in their address, if any, to the Company Secretary at the Registered Office of the Company.
9. Members are requested to intimate to the Company any queries regarding the accounts/notices at least ten days before the AGM to enable the management to keep the information ready at the AGM.
10. Brief profile of Directors for appointment/reappointment, is also given in the Corporate Governance Report.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**ITEM No.4**

The Board of Directors on July 22, 2020, appointed Mr. Biranchi Narayan Nayak (DIN No.-00144147) as Additional Director w.e.f July 22, 2020 on the Board of the Company. The Nomination and Remuneration Committee at its meeting held on August 27, 2020 recommended the appointment of Mr. Biranchi Narayan Nayak as Director liable to retire by rotation based on the candidature for his appointment as Director received from him.

The brief profile of Mr. Biranchi Narayan Nayak is given below:

Mr. Biranchi Narayan Nayak, aged 62, Chartered Accountant by profession, has over three decades of vast professional experience in Banking & Finance Industry, during which, he has served in senior management roles in IFCI Ltd. across a wide spectrum of business functions like strategy, risk management, credit, restructuring, resources mobilization, disinvestment, treasury operations, corporate accounts and taxation, before being superannuated as Executive Director.

He has headed IFCI Venture Capital Funds Ltd., as its MD. He has served as director on the boards of Stock Holding Corporation of India Ltd. and various assisted corporates.

Prior to this he had worked in Orissa State Financial Corporation, a state level financial institution, where he had made specific contributions in form of systematising the accounting & financing processes, development of various polices and manuals and resource raising in trying periods, in addition to exposure to appraisal, restructuring and accounts & taxation.

None of the Director/Key Managerial Personnel of the Company/their relative are in any way concerned or interested, financially or otherwise in the resolution.

**ITEM No.5**

The Board of Directors appointed Mr. Suresh Kumar Jain as Additional Director w.e.f. July 22, 2020 on the Board of the Company. The Nomination and Remuneration Committee at its meeting held on August 27, 2020 recommended the appointment of Mr. Suresh Kumar Jain as Director liable to retire by rotation based on the candidature for his appointment as Director received from him.

The brief profile of Mr. Suresh Kumar Jain is given below:

Mr. Suresh Kumar Jain, aged 66 years, has over 36 years of Rich experience with Public Sector Banks in India. He has served as an Executive Director of Union Bank of India where he was overseeing operations of the Bank in London, Hong Kong, Abu Dhabi, Dubai, Beijing, Shanghai, Antwerp and Sydney and also responsible for Human Resource Development, Management of non-performing assets/stressed assets portfolio of the Bank and Management and Development of Micro, Small and Medium Enterprise portfolio of the Bank.

Prior to Union Bank of India, he has served upto the position of General Manager, National Banking Group-Western India at Bank of India where he looked after oversees banking, processing of Large credit proposal. He has also worked as Manager (Credit) in Bank of India, Hong Kong overseeing one of the largest international portfolio of international trade finance and loan syndications for the Bank.

None of the Director/Key Managerial Personnel of the Company/their relative are in any way concerned or interested, financially or otherwise in the resolution.

By Order of Board of Directors

August 27, 2020 — Mani Dev Sadh
New Delhi — Manager & CS

IFCI Factors Limited
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Nehru Place, New Delhi – 110019
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Website: www.ifcifactors.com
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| Information pursuant to Secretarial Standards 2, pertaining to Director seeking Re-appointment/Appointment: | | | |
|---|---|---|---|
| Name | Mr. Arvind Kumar Jain | Suresh Kumar Jain | Biranchi Narayan Nayak |
| Date of Birth, Age | 13/01/1957, 63 | 05-05-1954, 66 | 01/07/1958, 62 |
| DIN No. | 07911109 | 05103064 | 00144147 |
| Qualifications | BSC(Hons), MSC(Statistics), L.L.B, CAIIB | 1.Honours Graduate in Science (B.Sc. Hons - GOLD MEDALIST) 2.Master's Degree in Economics (MA Economics) 3.Certified Associate of the Indian Institute of Bankers 4.Diploma in Personnel Management and Labour Welfare (GOLD MEDALIST) 5.Diploma in French Language | Chartered Accountant, Bachelor of Law & CAIIB |
| Date of first appointment on Board | 12/02/2018 | 22/07/2020 | 22/07/2020 |
| Experience | 39 years in the Banking & Financial Sectors | With 36 years of Rich experience with Public Sector Banks in India | Over three decades of vast professional experience in Banking & Finance Industry |
| Terms and condition of Appointment | Appointed as Non-Executive, Non-Independent Director | Appointed as Non-Executive, Non-Independent Director | Appointed as Non-Executive, Non-Independent Director |
| No. of Meetings of the Board attended during the financial year 2019-20. (Attended/Held) | 5 /5 | N.A. | N.A. |
| Other Directorships | 1. IDBI Asset Management Limited, 2. MICRO Units Development & Refinanceagency Ltd. | 1.PC Jeweller Limited 2. Fino Payments Bank Limited 3. SREI Equipment Finance Limited 4. Pushpak Airport | - |

| | | | |
|---|---|---|---|
| | 2. Nabsamruddhi Finance Limited<br>3. Inmacs Finance Private Limited<br>4. PNB Metlife India Insurance Company Limited<br>5. SIDBI Venture Capital Limited<br>6. ICMAI Registered Valuers Organisation. | Leasing Solution Private limited | |
| Membership/ Chairmanship of Committees of other Boards | IDBI Asset Management Limited.<br>**Member of following Committee**<br>➢ Audit Committee<br>➢ Nomination and Remuneration Committee<br>➢ Independent Directors Committee<br>➢ CSR Committee<br><br>Micro Units Development & Refinance Agency Limited<br>**Member of following Committee**<br>➢ Audit Committee<br>➢ NRC & Risk Committee<br>➢ Independent Directors Committee<br>➢ Executive Committee<br>**Chairman of following Committee**<br>➢ IT Strategy Committee<br><br>ICMAI Registered Valuers Organisation<br>**Chairman of following Committee**<br>➢ Membership | Srei Equipment Finance Ltd.<br>**Chairman of following Committee**<br>➢ Audit Committee<br>➢ Stakeholder Relationship Committee<br>**Member of following Committee**<br>➢ Nomination and Remuneration Committee<br>➢ Strategy Committee<br>➢ Risk Committee<br>➢ CSR<br><br>Fino Payment Bank Ltd.<br>**Chairman of following Committee**<br>➢ Nomination and Remuneration Committee<br>➢ Risk & ALM Committee<br>**Member of following Committee**<br>➢ Audit Committee<br>➢ Committee of Directors<br><br>PC Jewelers Limited<br>**Member of following Committee**<br>➢ Nomination and Remuneration Committee | Nil |

| | | | |
|---|---|---|---|
| | PNB MetLife India Insurance Company Limited<br>**Member of following Committee**<br>➢ Investment Committee | | |
| | Nabsamruddhi Finance Limited.<br>**Chairman of following Committee**<br>➢ Nomination and Remuneration Committee<br>**Member of following Committee**<br>➢ Audit Committee<br>➢ CSR Committee | | |
| Remuneration | Entitled for sitting fees for attending Meetings of Board & Committees | Entitled for sitting fees for attending Meetings of Board & Committees | Entitled for sitting fees for attending Meetings of Board & Committees |
| Relationship with other Director inter-se and with Key Managerial Personnel of the Company | None | None | None |
| Shareholding in the Company | Nil | Nil | Nil |

**Form No. MGT-11**

**Proxy Form**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

IFCI FACTORS LIMITED
CIN: U74899DL1995GOI074649
Registered Office: 10th Floor, IFCI Tower, 61, Nehru Place, New Delhi – 110019
Website: www.ifcifactors.com Email: manidevsadh@ifcifactors.com

Name of the member (s):
…………………………………………………………………………………………………………………

Registered address:
…………………………………………………………………………………………………………………

E-mail Id:
…………………………………………………………………………………………………………………

Folio No/ Client Id:
…………………………………………………………………………………………………………………

DP ID: …………………………………………………………………………………………………………

I/We, being the member (s) of ………… shares of the above named Company, hereby appoint:

1. Name:………………………Address:……………………………………………………………

   E-mail Id:…………………………………Signature:……………………………or failing him;

2. Name:………………………Address:……………………………………………………………

   E-mail Id:…………………………………Signature:……………………………or failing him;

3. Name:………………………Address:……………………………………………………………

   E-mail Id:……………………………………………………Signature:……………………………

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 25th Annual General Meeting of the Company, to be held on the Friday, September 25, 2020 at 10th floor, IFCI Tower, 61, Nehru Place, New Delhi at 12 noon and at any adjournment thereof in respect of such resolution/s as are indicated below:

| Resolution No. | Resolution/s Matter | Optional | |
|---|---|---|---|
| **Ordinary Business** | | For | Against |
| 1. | Adoption of Financial Statements for the financial year ended March 31, 2020 and the report of Board of Directors and Auditors thereon. | | |
| 2. | Appointment of Mr. Arvind Kumar Jain, retiring by rotation | | |
| 3. | Fixing the Remuneration of the Statutory Auditors of the Company for the financial year 2020-21 as appointed by the Comptroller & Auditor General of India | | |
| **Special Business** | | | |
| 4. | Appointment of Mr. Biranchi Narayan Nayak (DIN No.-00144147) as a Director of the Company | | |
| 5. | Appointment of Mr. Suresh Kumar Jain (DIN:- 05103064) as a Director of the Company | | |

**Affix Revenue Stamp not less than Rs. 0.15**

**Signed this ……… day of ………………………………, 2020**

**Signature of Shareholder………………………..**

**Signature of Proxy holder(s)……………………**

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

   * it is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.
3. Proxyholders may please carry their identity proofs while coming at the Annual General Meeting.

**IFCI Factors Limited**
CIN : U74899DL1995GOI074649
Registered Office: 10th floor IFCI Tower 61, Nehru Place, New Delhi – 110019
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## ATTENDANCE SLIP

25th Annual General Meeting held on Friday, September 25, 2020 at 12:00 noon at 10th Floor, IFCI Tower, 61, Nehru Place, New Delhi – 110019.

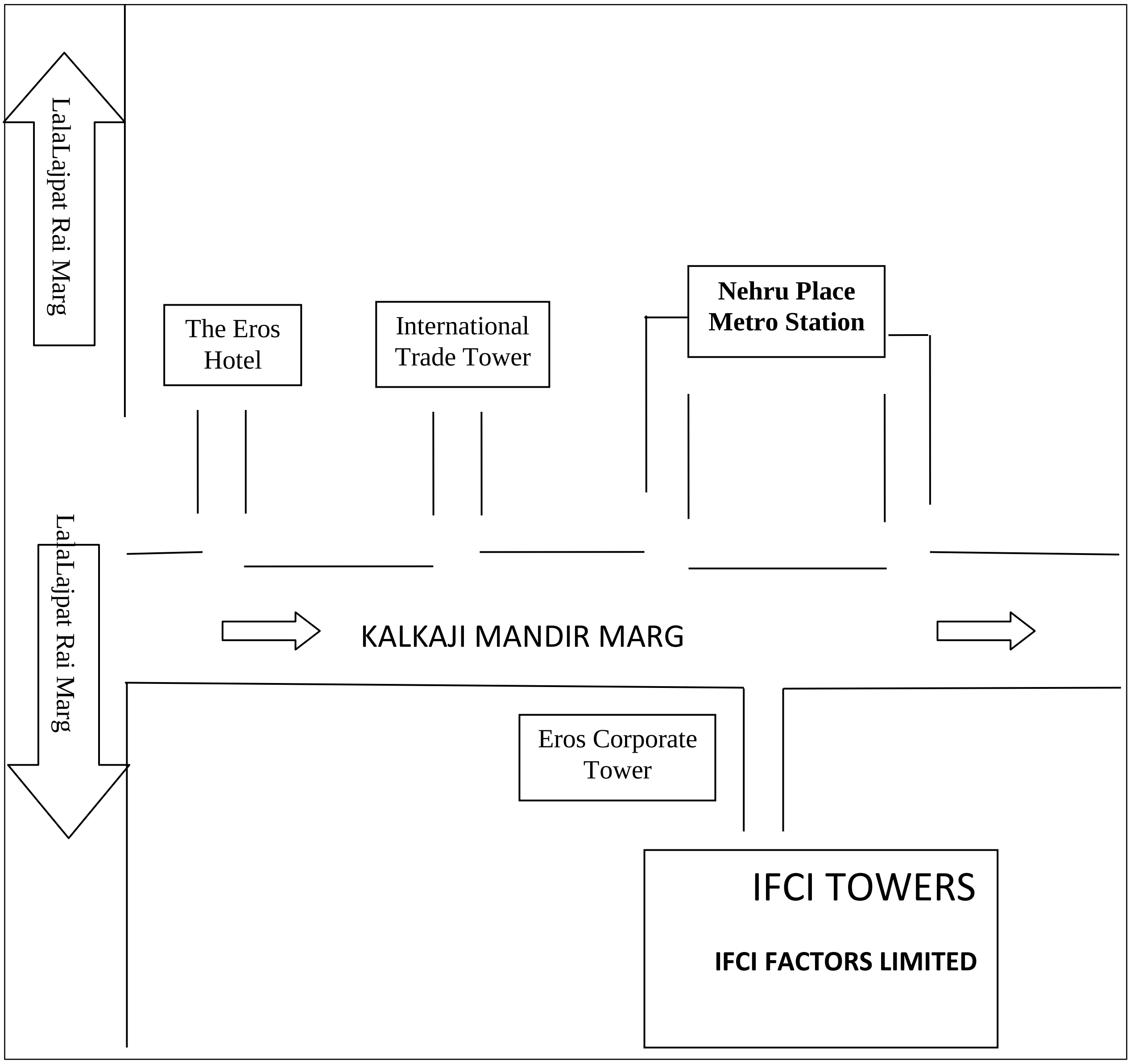
| | |
|---|---|
| Name (IN BLOCK LETTERS) | |
| Address | |
| Registered Folio No. / Dp Id & Client Id | |
| Shareholder / Proxy/ Authorised Representative | |
| Mobile No | |
| E-Mail Id | |

I/We hereby record my/our presence at the 25th Annual General Meeting (AGM) of the Company being held on Friday, September 25, 2020 at 12:00 noon at 10th Floor, IFCI Tower 61, Nehru Place, New Delhi – 110019.

…………………………………………………………………………………….

Signature of Shareholder / Proxy / Authorised Representative

# Route Map




**Prominent Land Mark: Nehru Place Metro Station**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Board of Directors of your Company have pleasure in presenting the 25th Annual Report of the Company together with the Audited Financial Statement for the year ended on March 31, 2020.

**Financial Results**

The Financial Results of the Company for the Financial Year 2019-20 as per Indian Accounting Standard ( Ind - AS) are summarized below :

(Rs. in lacs)

| Particulars | Year ended 31.03.2020 | Year ended 31.03.2019 |
|---|---|---|
| Total Income | 4209.12 | 5,079.77 |
| Expenditure | | |
| - Finance Cost | 2788.38 | 3,500.67 |
| - Employee benefits Expenses | 630.51 | 609.01 |
| - Depreciation, amortization & impairment | 6.27 | 8.66 |
| - Other Expenses | 569.29 | 551.55 |
| Total Expenditure | 3994.45 | 4,669.90 |
| Profit before Provisions/Written Off | 214.67 | 409.87 |
| Provisions & Write-Offs | 995.75 | 794.60 |
| Profit / (Loss) Before Tax | (781.08) | (384.73) |
| Tax Expense | | |
| - Current Tax | - | - |
| - Deferred Tax | 242.69 | (1,622.51) |
| Profit/ (Loss) After Tax | (538.39) | (2,007.24) |

**State of affairs of the Company**

Your Company is one of the key players in the country, providing factoring services/ receivable finance, catering largely to the MSME segment. Your Company also offers Corporate Loan for a tenor of upto five years. The FY 2019-20 has been a difficult year for your Company, witnessing a reduction in income due to dip in FIU and the expected recoveries not materialising, especially in Q4. However, your Company is confident and hopeful of salvaging the situation through a prudent mix for new customer acquisitions, avoiding any further slippages and getting the pending recoveries culminated in the current FY. Your Company is trying for bank facilities based on the schemes/ packages being announced by Govt of India, especially for the MSME's, to tide over the current crisis.

**Certificate of Registration as NBFC-Factor**

Your Company holds a Certificate of Registration as NBFC–Factor issued by Reserve Bank of India and is a Non-Deposit taking Systemically Important NBFC Factor (NBFC–ND- SI-Factor).

**Dividend**

With regard to the performance of your Company for the period ended on March 31, 2020 and in view of the losses for the year, no dividend on Equity Shares has been recommended by the Board for the year ended March 31, 2020. In view of loss incurred by the Company, the dividend on 9% Compulsory Convertible Cumulative Preference Shares and 10% Compulsory Convertible Cumulative Preference Shares amounting to Rs. 61.03 crore till date stands accumulated to the next year.

**Transfer to Reserves**

Your Company has not transferred any amount to General Reserve in Financial Year 2019-20, as it has incurred a loss after tax of Rs. (5.38) crore.

**Capital Structure / alteration of Share Capital**

The capital structure of your Company is given as under:

Authorized Share Capital

30,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 300,00,00,000/-
20,00,00,000 Preference Shares of Rs. 10/-each aggregating to Rs. 200,00,00,000/-

Issued, Subscribed and Paid-up

2,794,38,860 Equity Shares of Rs. 10/- each aggregating to Rs. 2,79,43,88,600 /-

The Board of Directors on November 05, 2019, made allotment as follows:-

1. Allotment of 50,00,000 Equity Shares of Rs. 10/- each upon conversion of 100 Optionally Convertible Debenture of Rs. 5,00,000/- each into Equity Shares.
2. Allotment of 7,50,38,000 Equity Shares of Rs. 10/- each upon conversion of 9% 7,50,38,000 Compulsory Cumulative Preference Shares of Rs. 10/- each into Equity Shares.

During the Financial Year 2019-20, the Authorised Capital of your Company was increased by Rs. 100,00,00,000 i.e by increasing Authorised Equity Share Capital from 20,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 200,00,00,000/- to 30,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 300,00,00,000/-

**Change in status of your Company**

There is no change in status of your Company, during the financial year ended 31 March, 2020.

**Directors and Key Managerial Personnel**

The Board of Directors of your Company consists of five Directors as on March 31, 2020, which includes four Non-Executive Directors and one Managing Director. In terms of the provisions of Section 152 of the Companies Act, 2013, Mr. Arvind Kumar Jain (DIN:-07911109), Non-Executive Director, will retire by rotation at the Annual General Meeting and being eligible offers himself for reappointment at the ensuing Annual General Meeting. Mr. Bikash Kanti Roy (DIN:- 02171876) was reappointed as Managing Director w.e.f April 02, 2020. Mr. Biranchi Narayan Nayak (DIN No.-00144147) and Mr. Suresh Kumar Jain (DIN:- 05103064) was appointed as Additional Director w.e.f. July 22, 2020 and have proposed their candidature for being appointed as Director in the ensuing Annual General Meeting. Further, Dr. Emandi Sankara Rao ceased to be Nominee Director and Chairman of your Company w.e.f. August 17, 2020, on account of completion of his tenure of service as MD & CEO of IFCI Limited.

During the year under review the change in the composition of Board of Directors is as follows:

i) Mr. Padmanabhan Raja Jaishankar (DIN-06711526), ceased from directorship on account of his resignation w.e.f. January 30, 2020.

**Nomination & Remuneration Policy**

In compliance with the provisions of section 178 of the Companies Act, 2013, read with Rules made thereunder, your Company has constituted the Nomination and Remuneration Committee and framed a Nomination and Remuneration Policy.

As Per Notification dated June 5, 2015, issued by the Ministry of Corporate Affairs, the Government companies are exempted to comply with the provisions of sub section (2), (3) and (4) of Section 178 of the Companies Act, 2013. Your Company being a Government Company is not required to disclose the Nomination and Remuneration Policy and carry out the evaluation of every Director's performance.

**Particulars of Employees**

As per Notification dated June 5, 2015, issued by the Ministry of Corporate Affairs, the Government companies are exempted to comply with the provisions of Section 197 of the Companies Act, 2013, read with Rules made thereunder. Your company being a Government Company is exempted to include the requisite information as a part of Director's Report.

**Contracts or arrangements with Related Parties**

The Related Party Transactions during the year have been disclosed in the note no. 31 to the Notes to Accounts and as per Form No. AOC-2. The Related Party Transactions were in the normal course of business and were carried out at arm's length basis. There were no materially significant Related Party Transactions during financial year 2019-20. The Policy on Related Party Transactions as approved by the Board of Directors and Form AOC-2 is enclosed as Annexure I. The said Policy is also uploaded on the website of your Company at www.ifcifactors.com.

**Extract of Annual Return**

The extract of Annual Return as provided under sub-section (3) of Section 92 of the Companies Act, 2013 is enclosed as Annexure-II in the prescribed form MGT-9 and forms part of this Report and placed on the website at www.ifcifactors.com/investors.

**Corporate Social Responsibility (CSR)**

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, your Company has established Corporate Social Responsibility (CSR) Committee and statutory disclosures in this regard are given in Annexure III which forms part of this Report. Further, the details of composition of the Corporate Social Responsibility Committee and other details are also provided in the Corporate Governance Report which forms part of this report.

For the FY 2019-20, your Company does not fulfill the criteria prescribed in Section 135(1) of the Companies Act, 2013, therefore the Company is not mandatorily required to undertake CSR activities and spending any amount thereby. IFCI Social Foundation has fully utilised Rs. 10 Lac in the FY 2019-20, towards the amount transferred by your Company for construction of individual household toilets (IHHT) under Govt Swachta Action Plan during FY 2017-18.

Owing to continued losses being suffered by your Company, no amount could be spent on CSR in respect of deferred CSR expenditure, therefore in accordance with the Guidelines on CSR & Sustainability for CPSEs, issued by the Department of Public Enterprises, your Company has deferred the CSR expenditure of an aggregate amount of Rs.91,92,410/- (Rs.6,68,150/- required to be spent during the Financial Year 2016-17, Rs.32,49,348/- required to be spent during the Financial Year 2015-16 and Rs. 52,74,912, required to be spent during the Financial Year 2014-15).

**Human Resource Development**

Your Company's people-centric focus provides an open work environment fostering continuous improvement and development of skills. During the year under report, your Company witnessed some attrition. As on March 31, 2020, your Company had twenty seven employees on its roll vis-à-vis thirty employees as on March 31, 2019.

**Fixed Deposits**

During the financial year ended March 31, 2020, your Company has not accepted any deposits from the public.

**Number of meetings of the Board**

The Board meets at regular intervals and the maximum interval between any two meetings did not exceed one hundred and twenty one days. The Board met five times in the Financial Year 2019-20 viz., on April 15, 2019, June 11, 2019, August 06, 2019, November 05, 2019, and February 05, 2020.

**Composition of Audit Committee**

The details of composition of Audit Committee forms part of the Corporate Governance Report appearing separately in the Annual Report.

Your Directors would further like to inform that there has been no matter where the Board has not accepted recommendations of the Audit Committee.

**Board Evaluation**

Performance evaluation of the Board, its Committees and individual Directors was carried out. Based on the feedback from the Directors, the performance was evaluated at the meeting of the Board. As per Notification dated June 5, 2015, issued by the Ministry of Corporate Affairs, the Nomination and Remuneration Committee of Government Companies have been exempted from carrying out the Performance Evaluation. In view of the said exemption available, no evaluation was carried by Nomination and Remuneration Committee.

**Disclosure as per Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013**

Your Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder. The Company has constituted Internal Complaint Committee to redress any issue related to sexual harassment in the organisation and to provide a safe and secure environment to employees in the Organisation.

The disclosure as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for Financial Year 2019-2020 is given below:

Number of complaints filed during the financial year: 1
Number of complaints disposed of during the financial year: 1
Number of complaints pending as on end of the financial year: Nil

**Documents Placed on the Website at www.ifcifactors.com/investors**

The following documents have been placed on the website of your Company :

i) Details of our contact information of Investor Grievance Officer
ii) Details of unpaid dividend
iii) Contact details of Debenture Trustees
iv) Corporate Social Responsibility Policy
v) Cessation of Directors
vi) Financial Statements
vii) Details of Vigil Mechanism for directors and employees
viii) The terms and conditions of appointment of Independent Directors
ix) The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
x) Related Party Transactions Policy
xi) Policy on Sexual Harassment Of Women At Workplace (Prevention, Prohibition and Redressal) Act, 2013
xii) Document Handling and Preservation Policy
xiii) Code of Business Conduct and Ethics for Board and Senior Management
xiv) Disclosures to the Stock Exchange

**Independent Directors' Declaration**

Since there was no independent director on the Board of Directors. Hence, criteria of independence as prescribed under Sec 149 of the Companies Act, 2013, was not applicable.

**Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013 ('Act'), the directors hereby confirm that:

i) in the preparation of the annual accounts for the Financial Year 2019-20, the applicable accounting standards have been followed and there are no material departures;
ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
iv) the directors had prepared the annual accounts on a going concern basis;
v) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly;
vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and
vii) no fraud was reported by auditors of the Company during FY 2019-20.

**Particulars of Loans, Guarantees and Investments**

As your Company is engaged in the business of financing Corporates in the capacity of being a Non-Banking Financial Company, therefore the provisions of Section 186 of the Companies Act, 2013, except for Sub-Section (1) are not applicable to your Company.

**Internal Financial Control**

The Internal Financial Controls with reference to financial statements adopted by the Company are adequate and operating effective.

**Secretarial Audit Report**

The Board of Directors of your Company appointed Ms. KPG & Associates, Practicing Company Secretaries, to conduct the Secretarial Audit and their Report is enclosed as Annexure IV. The Observations made by the Secretarial Auditors in their Secretarial Audit Report for the Financial Year 2019-20 and management replies thereon are as follows:-

| | Observations | Management's Reply |
|---|---|---|
| (i) | The Composition of Board and the Committees requiring Independent Director was not optimum during the Audit Period. The Company is a Government Company in terms of Companies Act, 2013, and a prior approval is mandatory from the Ministry of Finance to appoint any Independent Director on the Board of the Company, which is pending. | Request has been made by IFCI Ltd., holding Company to Ministry of Finance for the appointment of Independent Directors in the Company and the response in respect of which is awaited. |

**Risk Management**

Your Company has in place approved Risk Management Policy wherein all material risks faced by your Company are identified and assessed. Further, Risk Management is overseen by the Risk Management and Asset Liability Management Committee/Audit Committee on a continuous basis. The Committee oversees your Company's processes and policies for determining risk tolerance and reviews management's measurement and comparison of overall risk tolerance to established levels. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuous basis.

**Material changes and commitment affecting financial position of the Company**

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year till the date of this report.

**Vigil Mechanism**

Your Company has established a Vigil Mechanism for Directors and employees to report their genuine concerns to the appropriate authorities of any instances of unethical behaviour, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy and provides safeguards against victimization of employees who avail the mechanism. The policy permits all the Directors and employees to report their concerns directly to the Chairman of the Audit Committee of the Company. During the year under review, no instance of protected disclosure has been made to the designated authority and no employee was denied access to the Audit Committee. The details of the Whistle Blower Policy/Vigilance Policy are available on the website of your Company.

**Subsidiaries/ Joint Venture/ Associate**

Your Company does not have any subsidiary/ joint venture/ associate company.

**Rating for Term Borrowings**

Your Company's borrowings have been assigned the following ratings by Credit Analysis & Research Ltd. (CARE) and Brickwork during the year ended March 31, 2020:

| | |
|---|---|
| *Long-Term Bank Facilities | CARE Rating - Care BB+ Negative<br>[Double B Plus;<br>Outlook: Negative] |
| *Short-Term Bank Facilities | CARE Rating - Care A4<br>[A Four] |
| Long Term instruments (NCD) | CARE Rating- Care BB+; Negative<br>(Double B Plus; Outlook: Negative)<br>Brickwork<br>BWR BB+ ( Outlook: Stable)<br>(BWR Double B Plus; Outlook: Stable) |

*backed by Letter of Comfort from IFCI Ltd.

**Statutory Auditors & Auditors' Report**

The Comptroller and Auditor General of India had appointed M/s. SVP & Associates (DE2217) (Firm Regd. No. 003838N), as Statutory Auditors of your Company for the Financial Year 2019-20. M/s. SVP & Associates submitted the Audit Report for FY 2019-20, on June 16, 2020, which was subsequently revised on June 24, 2020. The Revised Auditors Report for the FY 2019-20, has no observation.

Comptroller and Auditor General of India (C&AG) has appointed M/s SVP & Associates, Chartered Accountants (DE2217) (FRN:-003838N) as Statutory Auditor of your Company for the Financial Year 2020-2021.

**Corporate Governance**

The report on Corporate Governance is appended herewith and forms part of the Annual Report.

**Energy Conservation, technology absorption and foreign exchange earnings and outgo**

Since the Company does not own any manufacturing facility, the other particulars relating to conservation of Energy and Technology Absorption stipulated in the Companies (Accounts) Rules, 2014 are not applicable. During the year under review, there is expenditure in foreign exchange of Rs. 10.05 Lacs and there is no foreign exchange fluctuation Income during the financial year 2019-20.

**Disclosure of significant or material orders passed by regulators or Court impacting the going concern status of the Company**

There has been no order passed by any Regulator or Court impacting the going concern status of the Company and Company's operations.

**Secretarial Standards**

The Company is compliant with applicable Secretarial Standards.

**Comments of Comptroller & Auditor General of India**

Your Company has received no comments from the C&AG under Section 143(6) of Companies Act, 2013 on Financial Statement for the year ended March 31, 2020. The review report received from C&AG is enclosed as Annexure V

**Acknowledgement**

The Directors wish to convey their appreciation to all the business associates for their support and contribution during the year. The Directors would also like to thank the employees, shareholders, customers, suppliers, alliance partners and bankers for the continued support given by them to the Company and their confidence reposed in the management.

For and on behalf of the Board of Directors

| | | |
|---|---|---|
| | Bikash Kanti Roy | Sachikanata Mishra |
| Date : 27.08.2020 | Managing Director | Nominee Director |
| Place : New Delhi | DIN: 02171876 | DIN : 02755068 |

Address : 10th Floor, IFCI Tower
61, Nehru Place,
New Delhi 110019

**Annexure-I**

## Form AOC-2

[pursuant to section 134(3)(h) of the Companies Act, 2 013 and Rule 8(2) of Companies (Accounts) Rules, 2014]

1. Details of contracts or arrangements or transaction not at arm's length basis. - NIL

(a) Name(s) of the related party and nature of relationship
(b) Nature of contracts/arrangements/transactions
(c) Duration of contracts/arrangements/transactions
(d) Salient terms of the contracts or arrangements or transactions including the value
(e) Justification for entering into such contracts or arrangements or transactions
(f) Date(s) of approval by the Board
(g) Amount paid as advances
(h) Date on which the special resolution was passed in the General Meeting as required under first proviso to Section 188

2. Details of material contracts or arrangements or transaction at arm's length basis. – There were no contracts or arrangements or transactions at arm's length basis which were material in nature.

(a) Name(s) of the related party and nature of relationship
(b) Nature of contracts/arrangements/transactions
(c) Duration of the contracts/arrangements/transactions
(d) Salient terms of the Contracts or arrangements or transactions including the value, if any.
(e) Date(s) of approval by the Board:
(f) Amount paid as advances

For and on behalf of the Board of Directors

| | | |
|---|---|---|
| | Bikash Kanti Roy | Sachikanata Mishra |
| Date : 27.08.2020 | Managing Director | Nominee Director |
| Place : New Delhi | DIN: 02171876 | DIN : 02755068 |

Address : 10th Floor, IFCI Tower
61, Nehru Place,
New Delhi 110019

## Policy on Related Party Transactions

### Introduction

This Policy deals with the Related Party Transactions (RPTs) in terms of RBI guidelines, Companies Act, 2013 and other applicable laws prescribing for formulation of RPT Policy.

### Definitions

**"Associate Company",** in relation to another company, means a company in which that other company has significant influence, but which is not a subsidiary company of the company having such influence and includes a joint Venture company.

*Explanation-* (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;.

**"Arm's length transaction"** means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**"Audit Committee" or "Committee"** means "Audit Committee" constituted by the Board of Directors of the company, from time to time, under provisions of the Companies Act 2013 and RBI Guidelines.

**"Board of Directors"** or **"Board"** means the Board of Directors of IFCI Factors, as constituted from time to time.

**"Company"** means IFCI Factors.

**"Government Company"** means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is subsidiary company of such a Government Company .

**"Independent Director"** means a director of the Company, as appointed in terms of Section 149 of the Companies Act 2013.

**"Key Managerial Personnel"** in relation to a company, means-

*(i)* Chief Executive Officer or the Managing Director or the Manager;
*(ii)* Company Secretary;
*(iii)* Whole-time Director;
*(iv)* Chief Financial Officer; and
*(v)* Such other officer of the Company as may be prescribed by the Ministry of Corporate Affairs (MCA) from time to time.
*(vi)* *"Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board"*

**"Policy"** means Policy on Related Party Transactions

**(A) "Related Party" as per Companies Act 2013 & Rules made thereunder**

i. a director or his relative;

ii. a key managerial personnel or his relative;

iii. a firm, in which director, manager or his relative is a partner;

iv. a private company in which a director or manager or his relative is a member or director;

v. a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;

vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

vii. any person on whose advice, directions or instructions a director manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

viii. any body corporate which is:

(a) a holding, subsidiary or an associate company of such company; or

(b) a subsidiary of a holding company to which it is also a subsidiary;

(c) an investing company or the venturer of the company

Explanation.—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

ix. A director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related partyJ

**(B) As per the provisions of Accounting Standard:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
(i) has control or joint control of the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**"Relative"** with reference to any person, means anyone who is related to another, if-

(i) They are members of a Hindu Undivided Family;
(ii) They are husband and wife; or
(iii) One person is related to the other in such manner as may be prescribed

List of relatives as per Rule 4 of Companies (Specification of Definition Details) Rules, 2014

A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:-

1. Father including 'Step-Father'

2. Mother including 'Step-Mother'

3. Son including 'Step-Son' , Son's wife.

4. Daughter including 'Daughter's husband"

5. Brother including 'Step-Brother'

6. Sister including 'Step-Sister'

**"Related Party Transactions"** A Related Party Transaction is transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

**"Control"** as per Companies Act 2013 & Rules made thereunder and Accounting Standard:

**(A) With reference to the provisions of the Companies Act 2013**

Control shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreement or voting agreements or in any other manner.

(B) **With reference to the provisions of Accounting Standard**

**"Joint Ventures"** – A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

**Dealing with Related Party Transactions**

**A. Approvals**

**I. Approval by Audit Committee**

All Related Party Transactions (including any subsequent modifications thereof) shall require approval of the Audit Committee of Directors. However, the Audit Committee of Directors may grant omnibus approval for the RPTs proposed to be entered into by the Company subject to the following conditions:

i) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval.

ii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: - (a) repetitiveness of the transactions (in past or in future); (b) justification for the need of omnibus approval.

a. The Audit Committee may grant the omnibus approval in line with the policy on Related Party Transactions of the Company.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of Company.

c. Such omnibus approval shall specify:

i. The name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.

ii. The indicative base price/current contracted price and the formula for variation in the price if any, and

iii. Such other conditions as Audit Committee may deem fit.

d. Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

f. Where the need for RPT cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the matter shall be reviewed by the Audit Committee.

Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board

**II. Approval by Board of Directors**

Except with the consent of the Board of Directors given by a resolution at a meeting of the board, the Company shall not enter into any contract or arrangement with a related party with respect to :

i. Sale, purchase or supply of any goods or materials;

ii. Selling or otherwise disposing of, or buying, property of any kind;

iii. Leasing of property of any kind;

iv. Availing or rendering of any services;

v. Appointment of any agent for purchase or sale of goods, materials, services or property;

vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and Related Party Transactions.

***Explanation-***

the expression "office or place of profit" means any office or place-

Where such office or place of profit is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

vii. Underwriting the subscription of any securities or derivatives thereof, of the company:

**Provided that** nothing of the above shall apply to any transactions entered into by the Company in its ordinary course of business other than the transactions which are not on an arm's length basis.

(Ordinary Course of Business shall include those business which forms part of the Main Object of the Memorandum of Association of the Company)

**III. Approval by Shareholders**

1. All the transactions which are in excess of the limits specified in Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business & arm's length basis shall require approval of shareholders by way of Resolution.

   However, transactions between two Government Companies are exempted from the aforesaid shareholders approval required under point no.1 above.

2. No Member of the Company shall vote on such Resolution to approve any contract or arrangement which may be entered into by the Company, if such member is a related party. The Related Party here refers to such Party as may be Related Party in the context of the contract or arrangement for which the approval is required.

   However, the following are exempted from compliance of point no.2 above :

   (i) Transactions between two Government Companies ; and
   (ii) Transactions between a holding company and its wholly owned
   (iii) subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Provided that nothing contained in above clause shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties

## Identification of Potential Related Party Transactions

### Identification of Potential Related Party Transactions

i. Each director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, he/she may be interested.

## Pre-requisites for entering into Potential Related Party Transactions

**A. <u>Audit Committee / Board Level Pre-requisites</u>**

The Company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

The agenda of the Board/ Audit Committee Meeting, as the case may be, at which the resolution is proposed to be moved shall disclose-

i) The name of the related party and nature of relationship;

ii) The nature, duration of the contract and particulars of the contract or arrangement;

iii) The material terms of the contract or arrangement including the value, if any;

iv) Any advance paid or received for the contract or arrangement, if any;

v) The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;

vi) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

vii) And other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

**B. Shareholders' Level Pre-requisites**

For the approval of shareholders, a notice calling the General Meeting will be sent along with the explanatory statement to the Shareholders.

The Explanatory Statement to be annexed to the notice of a General Meeting convened for approval of the RPTs shall contain the following particulars, namely:-

Name of the Related party;
Name of the Director or Key Managerial Personnel who is related, if any;
Nature of relationship;

Nature, material terms, monetary value and particulars of the contract or arrangement;
Any other information relevant or important for the members to take a decision on the proposed resolution;

**Transactions not previously approved**

In the event the Company becomes aware of an RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board shall consider all relevant facts and circumstances regarding such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Audit Committee / the Board deems appropriate under the circumstances.

**Disclosure Requirements**

**A. Disclosure by Board of Directors**

Every Director shall at the first Meeting of the Board in which he participates as a Director and thereafter at the first Meeting of the Board in every Financial Year or wherever there is any change in the disclosures already made, then at the first Board Meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firm, or other association of individuals which shall include the shareholding.

**B. Disclosure on Website**

The Company shall disclose the policy on Related Party Transactions on its website and a web-link shall be provided in the Annual Report.

## C. Disclosure in Board's Report

Every contract or arrangement entered into by the Company under Section 188(1) of the Companies Act, 2013 requiring Board's and Company's subsequent approval by way of Resolution shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

**Non-approval or Related Party Transactions/Violation of Provision related to Related Party Transactions**

i. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

ii. Without prejudice to anything in the above para, it shall be open to the Company to proceed against a director or a KMP any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

For and on behalf of the Board of Directors

| | | |
|---|---|---|
| | Bikash Kanti Roy | Sachikanata Mishra |
| Date : 27.08.2020 | Managing Director | Nominee Director |
| Place : New Delhi | DIN: 02171876 | DIN : 02755068 |

Address : 10th Floor, IFCI Tower
61, Nehru Place, New Delhi 110019

**ANNEXURE-II**

**FORM MGT-9**

**Extract of Annual Return as on the financial year ended on 31 March, 2020**

**[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS:**

| SI. No. | Particulars | Details |
|---|---|---|
| 1. | CIN | U74899DL1995GOI074649 |
| 2. | Registration Date | 14 December, 1995 |
| 3. | Name of the Company | IFCI Factors Limited |
| 4. | Category / Sub-Category of the Company | Company limited by Shares/Government Company |
| 5. | Address of the Registered office and contact details | 10th Floor, IFCI Tower, 61, Nehru Place, New Delhi – 110019. Tel: 011-46412805<br><br>Fax: +91-11-46521435-36<br><br>email: manidevsadh@ifcifactors.com |
| 6. | Whether listed company Yes / No | No (only Bonds of the Company are listed) |
| 7. | Name, Address and Contact details of Registrar and Transfer Agent, if any | M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400078, is providing electronoic connectivity for the securities of the Company. |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

| SI. No | Name and description of main products / services | NIC code of the product/ service | % to total turnover of the Company |
|---|---|---|---|
| 1. | Factoring | 64990 | 77.24% |
| 2. | Corporate Loans | 64920 | 22.76% |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S.No | Name and address of the company | CIN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1. | IFCI limited | L74899DL1993GOI053677 | Holding Company | 99.90% | 2(46) of the Companies Act, 2013 |

### IV. SHAREHOLDING PATTERN (Equity share capital breakup as percentage of total equity)

### I. Category-wise shareholding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A.Promoters** | - | - | - | - | - | - | - | - | - |
| **(1)Indian** | - | - | - | - | - | - | - | - | - |
| a)Individual/HUF | 8 | - | 8 | 0.00 | 8 | - | 8 | 0.00 | - |
| b)Central Govt. | - | - | - | - | - | - | - | - | - |
| c)State Govt. | - | - | - | - | - | - | - | - | - |
| d)Bodies Corporate | - | - | - | - | - | - | - | - | - |
| e)Bank/FI | 19,91,54,692 | - | 19,91,54,692 | 99.88 | 2,79,154,692 | - | 2,79,154,692 | 99.90 | 0.02 |
| f) Any other | - | - | - | - | - | - | - | - | - |
| **SUB TOTAL:(A)(1)** | 19,91,54,700 | - | 19,91,54,700 | 99.88 | 2,79,154,700 | - | 2,79,154,700 | 99.90 | 0.02 |
| **(2)Foreign** | | | | | | | | | |
| a)NRIs-Individuals | - | - | - | - | - | - | - | - | - |
| b)Other Individuals | - | - | - | - | - | - | - | - | - |
| c)Bodies Corporate | - | - | - | - | - | - | - | - | - |
| d)Banks/FI | - | - | - | - | - | - | - | - | - |
| e)Any other | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **SUB TOTAL:(A)(2)** | - | - | - | - | - | - | - | - | - |
| **Total Shareholding of Promoter (A)= (A)(1)+(A)(2)** | 19,91,54,700 | - | 19,91,54,700 | 99.88 | 2,79,154,700 | - | 2,79,154,700 | 99.90 | 0.02 |
| **B.PUBLIC SHAREHOLDING** | | | | | | | | | |
| (1)Institutions | - | - | - | - | - | - | - | - | - |
| a)Mutual Funds | - | - | - | - | - | - | - | - | - |
| b)Banks/FI | - | - | - | - | - | - | - | - | - |
| c)Central Govt. (IEPF Authority MCA) | 10,500 | - | 10,500 | 0.00 | 10,500 | - | 10,500 | 0.00 | (0.00) |
| d)State Govt. | - | - | - | - | - | - | - | - | - |
| e)Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f)Insurance Companies | - | - | - | - | - | - | - | - | - |
| g)FIIs | - | - | - | - | - | - | - | - | - |
| h)Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i)Other Specify | - | - | - | - | - | - | - | - | - |
| **SUB TOTAL (B) (1):** | 10,500 | - | 10,500 | 0.00 | 10,500 | - | 10,500 | 0.00 | (0.00) |
| **(2)Non Institutions** | | | | | | | | | |
| a)Bodies Corporate | - | 90,000 | 90,000 | 0.05 | - | 90,000 | 90,000 | 0.03 | (0.02) |
| i)Indian | - | - | - | - | - | - | - | - | - |
| ii)Overseas | - | - | - | - | - | - | - | - | - |
| b)Individuals | - | - | - | - | - | - | - | - | - |
| i)Individual shareholders holding nominal share capital upto Rs. 1 Lakh | 5,260 | 64,500 | 69,760 | 0.03 | 10460 | 64,300 | 74,760 | 0.03 | - |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh | 75,900 | - | 75,900 | 0.04 | 1,08,900 | - | 1,08,900 | 0.04 | - |
| c)Others (specify) | - | - | - | - | - | - | - | - | - |
| **SUB TOTAL (B) (2):** | 81,160 | 1,54,500 | 2,35,660 | 0.12 | 1,19,360 | 1,54,300 | 2,73,660 | 0.10 | (0.02) |
| **Total Public Shareholding (B)=(B)(1)+(B)(2)** | 91,660 | 1,54,500 | 2,46,160 | 0.12 | 1,29,860 | 1,54,300 | 2,84,160 | 0.10 | (0.02) |
| **C. Shares held by Custodian for GDRs & ADRs** | - | - | - | - | - | - | - | - | - |
| **Grand Total (A+B+C)** | 199,246,360 | 1,54,500 | 199,400,860 | 100 | 279,284,560 | 1,54,300 | 279,438,860 | 100 | - |

## II. Shareholding of Promoters

| Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|---|---|---|---|---|---|---|---|
| | No. of Shares | % of total Shares of the Company | %of Shares Pledged/ encumbered to total shares | No. of Shares | % of total Shares of the company | %of Shares Pledged/ encumbered to total shares | % change in share holding during the year |
| IFCI Limited* | 19,91,54,700 | 99.88% | - | 2,79,154,700 | 99.90% | - | 0.02 |
| Total | 19,91,54,700 | 99.88% | - | 2,79,154,700 | 99.90% | - | 0.02 |

*Including 8 shares held by nominees of IFCI Ltd.

## III. Change in Promoters' Shareholding

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company |
| i. | At the beginning of the year | 19,91,54,700 | 99.88% | | |
| ii. | Date wise Increase/Decrease In Promoters Share Holding | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | during the year specifying the reasons for increase / decrease (e.g. allotment/ Transfer/bonus/sweat equity etc) | | | | |
| A | Allotment of equity shares to IFCI Ltd. on conversion of OCD on 05.11.2019 | 50,00,000 | 1.79% | 20,41,54,700 | 73.06% |
| b. | Allotment of equity shares to IFCI Ltd. on conversion of CCCPS on 05.11.2019 | 7,50,00,000 | 26.84% | 27,91,54,700 | 99.90% |
| iii. | At the end of the year | 27,91,54,700 | 99.90% | | |

**IV. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

| S No. | Name of Shareholders | Shareholding at the beginning of the year as on 01.04.2019 | | Change in shareholding during the year | | Shareholding at the end of the year as on 31.3.2020 | |
|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1. | Mr. Brij Kapoor | 75,900 | 0.038 | 33,000 | 0.001 | 1,08,900 | 0.039 |
| 2. | Puri Constructions Pvt Ltd. | 90000 | 0.045 | Nil | (0.013) | 90,000 | 0.032 |
| 3. | IEPF Authority MCA | 10,500 | 0.005 | Nil | (0.001) | 10,500 | 0.004 |
| 4. | Mr. Sushant Chabra | 10000 | 0.005 | Nil | (0.001) | 10,000 | 0.004 |
| 5. | Mr. GP Singh | 10000 | 0.005 | Nil | (0.001) | 10,000 | 0.004 |
| 6. | Mr. Vijay Roop Chand | 10000 | 0.005 | Nil | (0.001) | 10,000 | 0.004 |
| 7. | Mrs. Deep Kaur | 10000 | 0.005 | Nil | (0.001) | 10,000 | 0.004 |
| 8. | Mr. Sanjay Kumar | 5000 | 0.003 | 5,000 | 0.002 | 10,000 | 0.004 |
| 9. | Mr. Amit Vadhera | 5000 | 0.003 | Nil | Nil | 5,000 | 0.002 |
| 10. | Mr. A.K. Mehta | 5000 | 0.003 | Nil | Nil | 5,000 | 0.002 |
| 11. | Mr. Bal Krishna Jaggi | 5000 | 0.003 | Nil | Nil | 5,000 | 0.002 |
| 12. | Mr. Rishi Talwar | 5000 | 0.003 | Nil | Nil | 5,000 | 0.002 |

**V. Shareholding of Directors and Key Managerial Personnel:**

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | **For Each of the Directors & KMP** | **No. of shares** | **% of total shares of the company** | **No. of shares** | **% of total shares of the company** |
| 1. | At the beginning of the year | Nil | Nil | Nil | Nil |

| | | | | | |
|---|---|---|---|---|---|
| 2. | Date wise Increase/Decrease in Share holding during the year specifying the reasons for Increase/Decrease (e.g. allotment/transfer/bonus/ sweat equity etc.) | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |

**V. Indebtedness:**

**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(Amount in Lakh)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year (01.04.2019)** | | | | |
| i) Principal Amount | 18,698.60 | 9962.97 | - | 28,661.57 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 595.79 | 757.48 | - | 1353.27 |
| **TOTAL (i+ii+iii)** | **19,294.39** | **10,720.45** | - | **30,014.84** |
| **Change in Indebtedness during the financial year** | | | | |
| Principal | (3767.63) | (192.08) | - | (3959.71) |
| Interest | (24.72) | 2.8 | - | (21.92) |
| Exchange Difference | - | - | - | - |
| **Net Change** | **(3792.35)** | **(189.28)** | **-** | **(3981.63)** |
| **Indebtedness at the end of the financial year (31.03.2020)** | | | | |
| i) Principal Amount | 14,721.19 | 9,980.68 | - | 24,701.86 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 571.07 | 760.28 | | 1331.35 |
| **TOTAL (i+ii+iii)** | **15,502.04** | **10,531.17** | | **26,033.21** |

**VI. Remuneration of Directors and Key Managerial Personnel**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Amount in Rs.)

| **Sr. No** | **Particulars of Remuneration** | | **Mr. Bikash Kanti Roy (Managing Director)** |
|---|---|---|---|
| 1 | Gross Salary | | |
| | 1(a) | Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 32,43,752/- |
| | 1(b) | Value of perquisites u/s 17(2) Income-tax Act, 1961 | 9,19,863/- |
| | 1(c) | Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | 73,476/- |
| 2 | | Stock Option | - |
| 3 | | Sweat Equity | - |
| 4 | | Commission | - |
| | | -as a % of profit | - |
| | | -others (specify) | - |
| 5 | | Others, please specify : Retirement Benefits | - |
| | | **Total** | **42,37,091/-** |

**B. Remuneration to other directors:**

(Amount in Rs.)

| **S No.** | **Name of the Directors** | **Fee for attending board/ committee meetings** | **Commission** | **Total** |
|---|---|---|---|---|
| 1. | Dr. Emandi Sankara Rao | - | - | - |
| 2. | Mr. Sachikanta Mishra | - | - | - |
| 3. | Mr. Arvind Kumar Jain | 5,17,500 | - | 5,17,500 |
| 4. | Mr. Padmanabhan Raja Jaishankar | 85,500 | - | 85,500 |
| 5. | Ms. Madhushree Nanda Agarwal | 3,06,000 | - | 3,06,000 |

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD** :

(Amount in Rs.)

| **Sr. No** | **Particulars of Remuneration** | | **Key Managerial Personnel** | |
|---|---|---|---|---|
| | | | **Chief Financial Officer (CFO) Mr. Manish Jain** | **Company Secretary (CS) Mr. Mani Dev Sadh** |
| 1. | Gross Salary | | | |
| | 1(a) | Salary as per provisions contained in section 17(1) of | 15,41,801/- | 7,39,000/- |

| | | | | |
|---|---|---|---|---|
| | | the Income-tax Act, 1961 | | |
| | 1(b) | Value of perquisites u/s 17(2) Income-tax Act, 1961 | 5,29,766/- | - |
| | 1(c) | Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - |
| 2 | | Stock Option | - | - |
| 3 | | Sweat Equity | - | |
| 4 | | Commission | | - |
| | | -as a % of profit | - | - |
| | | -others (specify) | - | - |
| 5 | | Others, please specify | - | |
| | | **Total** | **20,71,567/-** | **7,39,000/-** |

**VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES:** NIL

For and on behalf of the Board of Directors

Bikash Kanti Roy
Managing Director
DIN: 02171876

Sachikanata Mishra
Nominee Director
DIN : 02755068

Date : 27.08.2020
Place : New Delhi

Address : 10th Floor, IFCI Tower
61, Nehru Place,
New Delhi 110019

**ANNEXURE-III**

**CORPORATE SOCIAL RESPONSIBILITY**

**CORPORATE SOCIAL RESPONSIBILITY POLICY - OVERVIEW**

The Corporate Social Responsibility Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website at the link: http://www.ifcifactors.com/investors.html.

In line with the CSR policy and in accordance of Schedule VII of the Companies Act, 2013, the Company shall undertake the Corporate Social Responsibility Activities as defined under the Schedule VII to the Act.

The main objectives of CSR Policy are:

(i) To directly or indirectly take up programs that benefit the communities in and around its workplace and results, over a period of time, in enhancing the quality of life and economic well-being of the local populace.
(ii) To generate through its CSR initiatives, a community goodwill for your Company and help reinforce a positive & socially responsible image of your Company as a corporate entity and as a good Corporate Citizen.
(iii) Ensure commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interest of all its stakeholders.

The terms of reference of the CSR Committee is as under:

(i) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
(ii) To recommend the amount of expenditure to be incurred on the activities referred to in clause (i) above; and
(iii) To monitor the Corporate Social Responsibility Policy of the company from time to time.

**Composition of CSR Committee**

Members of the committee as on March 31, 2020 are:

Mrs. Madhushree Nanda Agarwal, Chairperson
Mr. Sachikanta Mishra, Member
Mr. Bikash Kanti Roy, Member

**1. Average Net Profit of the Company for last three financial years**

N.A. (For the FY 2019-20, the Company is not eligible for CSR activities as per Section 135(1) of the Companies Act, 2013)

**2. Prescribed CSR Expenditure (two percent of the amount as in Item 3 above):**
N.A. (For the FY 2019-20, the Company is not eligible for CSR activities as per Section 135(1) of the Companies Act, 2013)

**3. Details of CSR Activities/Projects undertaken during the year:**

**a. Total amount to be spent for the financial year:**

Rs.91,92,410/-(including Rs. 6,68,150/- required to be spent during the Financial Year, 2016-17, Rs.32,49,348/- required to be spent during the Financial Year 2015-16 and Rs. 52,74,912, required to be spent during the Financial Year 2014-15)

**b. Amount unspent, if any:** Rs.91,92,410/- (including Rs. 6,68,150/- required to be spent during the Financial Year, 2016-17, Rs.32,49,348/- required to be spent during the Financial Year 2015-16 and Rs. 52,74,912, required to be spent during the Financial Year 2014-15)

**c. Manner in which the amount spent during the financial year:**

| S. No. | CSR project or activity identified | Sector in which the Project is covered | Projects/ Programmes<br>1. Local area/ others<br>2. Specify the state and district where project/ Proggramme was undertaken | Amount outlay (budget) project or Programme wise (in Rs.) | Amount spent on the project/ programme<br>1.Direct expenditure on project or programmes<br>2.Overheads (in Rs.) | Cumulative expenditure upto to the reporting period<br>(in Rs.) | Amount spent:<br>Direct/ through implementing agency |
|---|---|---|---|---|---|---|---|
| 1. | Toilet Construction in Jharkhand under Govt's Swachhta Action Plan in partnership with Rashriya Gramin Vikas Nidhi | Other Welfare elements: Activity is covered under clause (i) of Schedule VII u/s 135 of Companies Act, 2013 | Jharkhand | 10,00,000 | 10,00,000* | 10,00,000 | Implementing Agency, IFCI Social Foundation |

*IFCI Social Foundation has fully spent/utilised Rs. 10 Lac in the FY 2019-20, towards the CSR amount given by the Company during FY 2017-18.

**In case the Company has failed to spend the two per cent of the average net profits of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Boards' Report**

Owing to continued losses being suffered by your Company, no amount could be spent on CSR in respect of deferred CSR expenditure, therefore in accordance with the Guidelines on CSR & Sustainability for CPSEs, issued by the Department of Public Enterprises, your Company has deferred the CSR expenditure of an aggregate amount of Rs.91,92,410/- (Rs.6,68,150/- required to be spent during the Financial Year 2016-17, Rs.32,49,348/-

required to be spent during the Financial Year 2015-16 and Rs. 52,74,912, required to be spent during the Financial Year 2014-15).

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014, Ms. Madhushree Nanda Agarwal, Chairman and Mr. Bikash Kanti Roy, Member of CSR Committee, do hereby confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

| | | |
|---|---|---|
| Date : 27.08.2020 | Bikash Kanti Roy | Ms. Madhushree Nanda Agarwal |
| Place : New Delhi | Managing Director | Chairperson of the CSR Committee |
| | DIN- 02171876 | DIN- 06711526 |

Address : 10th Floor,
IFCI Tower
61, Nehru Place,
New Delhi 110019

**ANNEXURE-VI**

# KPG &Associates

**Company Secretaries**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 2020**

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]**

**To,**

**The Members,**
**IFCI FACTORS LIMITED**
10th Floor, IFCI Tower,
61, Nehru Place,
New Delhi – 110019

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IFCI FACTORS LIMITED** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the **IFCI FACTORS LIMITED** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31st March, 2020** complied with the statutory provisions listed hereunder and also that the Company has

Office Address: AG-87, 1st Floor, Shalimar Bagh, New Delhi - 110088
Email: Prashanthgupta2804@gmail.com, Mb. No : 9711131937

proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **IFCI FACTORS LIMITED** ("the Company") for the financial year ended on **31st March, 2020**, according to the provisions of:

**(i)** The Companies Act, 2013 (the Act) and the rules made thereunder;

**(ii)** The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

**(iii)** The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

**(iv)** Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable to the company during the audit period)**

**(v)** The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (listing obligations and disclosure requirements) regulations 2015;

(c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **(Not applicable to the company during the audit period)**

(f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the company during the audit period)** and

(i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the company during the audit period)**

**(vi)** Other Laws as applicable to the Industry:

a) Guidelines Issued by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Govt. of India for Central Public Sector Enterprises (CPSE) i.e. DPE Guidelines;

b) The Factoring Regulation Act, 2011;

c) All the relevant Circulars and guidelines of Reserve Bank of India applicable to the Company.

d) Secretarial Standards issued by The Institute of Company Secretaries of India and notified by Ministry of Corporate affairs.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors except Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance in compliance with the secretarial standards, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision are carried out with unanimous consent, so therefore dissenting members' views are not required to be captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

1. ***The Composition of Board and the Committees requiring Independent Director was not optimum during the Audit Period. The Company is a Government Company in terms of Companies Act, 2013, and a prior approval is mandatory from the Ministry of Finance to appoint any Independent Director on the Board of the Company, which is pending.***

We further report that during the audit period:

1. The Board of Directors of the Company on November 05, 2019 have made the following allotments:-
    a. Allotment of 50,00,000 Equity Shares of Rs. 10/- each upon conversion of 100 Optionally Convertible Debenture of Rs. 5,00,000/- each into Equity Shares, vide approval of shareholders dated March 6, 2019.
    b. Allotment of 7,50,38,000 Equity Shares of Rs. 10/- each upon conversion of 9% 7,50,38,000 Compulsory Cumulative Preference Shares of Rs. 10/- each into Equity Shares issued on rights basis, vide approval of shareholders dated March 12, 2015.
2. The members of the Company has vide Special Resolution in Extra Ordinary General Meeting dated July 25, 2019, increased the Authorised Share Capital of the company from 400 crores to 500 crores.
3. The Company has unspent deferred Corporate Social Responsibility (CSR) amount of Rs. 91,92,410 /-, which was required to be spent as per Section 135 for the previous years. The Company has in it Meeting of CSR Committee dated February 05, 2020 in compliance with the Guidelines on CSR and Sustainability, 2014, issued by the Department of Public Enterprise, deferred the expenditure of CSR Amount.

4. The Company has transferred Unpaid Dividend amount of Rs. 7,350 (Seven Thousand Three Hundred and Fifty) to Investor Education and Protection Fund (IEPF) which is related to the Financial Year 2011-12.
5. The Audit Committee and the Board of Directors have approved all the Related Party Transaction. In view of the Board all the transactions with Related Parties are at Arm's Length Price.

**For KPG & Associates**

**Company Secretaries**

Prashanth GUPTA

KPG & ASSOCIATES NEW DELHI COMPANY SECRETARIES

**Prashanth Kumar Gupta**
**Proprietor**
**ACS- 37201**
**C.P.No.:13958**
**UDIN - A037201B000565388**

**Date : 10th August, 2020**
**Place: New Delhi**

*This Report is to be read with our letter of even date which is annexed as Annexure A and forms an Integral Part of this Report.

# KPG &Associates

**Company Secretaries**

'Annexure A'

The Members
**IFCI Factors Limited**
10th Floor, IFCI Tower
61, Nehru Place
New Delhi – 110019

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management.

**For KPG & Associates**
**Company Secretaries**

Prashanth Gupta

KPG & ASSOCIATES NEW DELHI COMPANY SECRETARIES

**Prashanth Kumar Gupta**
**Proprietor**
**ACS- 37201**
**C.P.No.:13958**

**Date : 10th August, 2020**

**Place: New Delhi**

Office Address: AG-87, 1st Floor, Shalimar Bagh, New Delhi - 110088
Email: Prashanthgupta2804@gmail.com, Mb. No : 9711131937

**ANNEXURE-V**

AMG-II/2(208)/वार्षिक लेखा (2019-20)/IFCI FACTORS/ 2020-21/80

कार्यालय प्रधान निदेशक लेखापरीक्षा
उद्योग एवं कारपोरेट कार्य
ए.जी.सी.आर. भवन, आई.पी. एस्टेट,
नई दिल्ली-110 002

OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT,
INDUSTRY AND CORPORATE AFFAIRS
A.G.C.R. BUILDING, I.P. ESTATE
NEW DELHI-110 002

सत्यमेव जयते

दिनांक: 11 AUG 2020

सेवा में,

**प्रबंध निदेशक,**
**आई एफ सी आई फैक्टर्स लिमिटेड,**
**10 वाँ तल, आई एफ सी आई टावर, नेहरु प्लेस,**
**नई दिल्ली - 110019**

**विषय:** **कंपनी अधिनियम 2013 की धारा 143(6) (b) के अंतर्गत 31 मार्च 2020 को समाप्त वर्ष के लिए आई एफ सी आई फैक्टर्स लिमिटेड, के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ ।**

**महोदय,**

कंपनी अधिनियम 2013 की धारा 143(6) (b) के अंतर्गत 31 मार्च 2020 को समाप्त वर्ष के लिए आई एफ सी आई फैक्टर्स लिमिटेड के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ अग्रेषित की जा रही हैं। इन टिप्पणियों को कंपनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए।

**भवदीय,**

C. Nedunchezhian

**(सी. नेडून्चेलियन)**
**प्रधान निदेशक लेखापरीक्षा**
**(उद्योग और कॉर्पोरेट मामले)**
**नई दिल्ली**

**संलग्नक: यथोपरि**

दूरभाष / Phone : +91-11-23702357, फैक्स / Fax: +91-11-23702359, E-mail : pdaica@cag.gov.in

# COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF IFCI FACTORS LIMITED FOR THE YEAR ENDED 31 MARCH 2020

The preparation of financial statements of IFCI Factors Limited for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 24 June 2020.

I, on behalf of the Comptroller and Auditor General of India have decided not to conduct the supplementary audit of the financial statements of IFCI Factors Limited for the year ended 31 March 2020 under section 143(6)(a) of the Act.

**For and on behalf of the**
**Comptroller & Auditor General of India**

C. Nedunchezhian

**(C. Nedunchezhian)**
**Principal Director of Audit**
**(Industry & Corporate Affairs)**
**New Delhi**

**Place: New Delhi**
**Date: 11.08.2020**

ANNEXURE TO DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company's philosophy on Corporate Governance envisages attainment of better transparency and accountability in all facets of operations and all its interactions with its stakeholders including shareholders, employees, bankers and the auditors. The Company constantly endeavours to achieve standards of Corporate Governance in order to enhance the long term stakeholders' value and maintain good Corporate Governance. The Company has well established, transparent and fair administrative set up to provide for professionalism and accountability.

### 2. BOARD OF DIRECTORS:

**Composition, Category and Attendance of the Board of Directors**

As on March 31, 2020, the Board of the Company consisted of five Directors, out of whom four are Non-Executive Directors while one is Executive Director being the Managing Director.

The composition of the Board, number of Board Meetings held, attendance, number of Directorship and Chairmanship/ Membership of Committees in other Companies in respect of each Director as on March 31, 2020 is reproduced herein below:

| Sl No | Name of Director | Category | Attendance Particulars | | | No. of Directorships/ Committee Memberships/ Chairmanships of other Companies | | |
|---|---|---|---|---|---|---|---|---|
| | | | No. of Board Meetings during the tenure of Director | | At AGM held on September 24, 2019 | Other directorships | Committee Memberships | Committee Chairmanships |
| | | | Held | Attended | | | | |
| 1. | Dr. Emandi Sankara Rao | Non-Executive Chairman | 5 | 3 | Yes | 4 | 1 | - |
| 2. | Mr. Sachikanta Mishra | Non-Executive Director | 5 | 5 | Yes | - | - | - |
| 3. | Mr. Arvind Kumar Jain | Non-Executive Director | 5 | 5 | Yes | 5 | 2 | - |
| 4. | Ms. Madhushree Nanda Agarwal | Non-Executive Director | 5 | 5 | Yes | - | - | - |
| 5. | Mr. Bikash Kanti Roy | Managing Director | 5 | 5 | Yes | - | - | - |
| DIRECTORS WHO CEASED TO BE ON THE BOARD OF DIRECTORS DURING FY 2019-20 | | | | | | | | |
| 6. | Mr. Padmanabhan Raja Jaishankar *(a)* | Non-Executive Director | 4 | 2 | Yes | 1 | - | - |

*(a)* Mr. Padmanabhan Raja Jaishankar ceased as Director w.e.f. January 30, 2020.

**Notes:**

(i) Number of Meetings represents the Meetings held during the period in which the Director was member of the Board.
(ii) The details of Committees include only the Audit Committee and Stakeholders' Relationship Committee.
(iii) None of the Directors of the Company were members of more than ten committees or acted as Chairperson of more than five committees across all the Companies in which they were Directors.
(iv) Number of other Directorship is exclusive of companies under Section 25 of the Companies Act, 2013.

The Board met five times during the Financial Year 2019-2020 viz., on April 15, 2019, June 11, 2019, August 06, 2019, November 05, 2019, February 05, 2020. The maximum interval between any two meetings did not exceed one hundred and twenty days.

**<u>Brief resume of the Director seeking appointment</u>**

Mr. Biranchi Narayan Nayak, aged 62, a Chartered Accountant by profession, has over three decades of vast professional experience in Banking & Finance Industry, during which, he has served in senior management roles in IFCI Ltd. across a wide spectrum of business functions like strategy, risk management, credit, restructuring, resources mobilization, disinvestment, treasury operations, corporate accounts and taxation, before being superannuated as Executive Director. He has headed IFCI Venture Capital Funds Ltd., as its MD. He has served as director on the boards of Stock Holding Corporation of India Ltd. and various assisted corporates. Prior to this he had worked in Orissa State Financial Corporation, a state level financial institution, where he had made specific contributions in form of systematising the accounting & financing processes, development of various polices and manuals and resource raising in trying periods, in addition to exposure to appraisal, restructuring and accounts & taxation. Mr. Nayak also holds a law degree and certified associateship of Indian Institute of Bankers. He does not hold any securities in his own name and no share or convertible instrument in the Company is held by him, either in his name or in the name of any other person, on a beneficial basis.

Mr. Suresh Kumar Jain, aged 66 years, has over 36 years of Rich experience with Public Sector Banks in India. He has served as an Executive Director of Union Bank of India where he was overseeing operations of the Bank in London, Hong Kong, Abu Dhabi, Dubai, Beijing, Shanghai, Antwerp and Sydney and also responsible for Human Resource Development, Management of non-performing assets/stressed assets portfolio of the Bank and Management and Development of Micro, Small and Medium Enterprise portfolio of the Bank. Prior to Union Bank of India, he has served upto the position of General Manager, National Banking Group-Western India at Bank of India where he looked after oversees banking, processing of Large credit proposal. He has also worked as Manager (Credit) in Bank of India, Hong Kong overseeing one of the largest international portfolio of international trade finance and loan syndications for the Bank. He is presently serving as Director on the Board of PC Jeweller Limited, Fino Payments Bank Limited, SREI Equipment Finance Limited and Pushpak Airport Leasing Solution Private limited. He does not hold any securities in his own name and no share or convertible instrument in the Company is held by him, either in his name or in the name of any other person, on a beneficial basis.

**Brief resume of the Director seeking appointment re-appointment**

Mr. Arvind Kumar Jain, aged 63, has a rich experience of over 40 years in the Banking and Financial Sectors. He had served as Executive Director of Punjab & Sindh Bank from December 2015 to January 2017. While serving as Executive Director of the Punjab & Sindh Bank he was looking after all banking activities, Banks profitability, Capital Raising, Review of Business Processes, Risk Management, Treasury Management, Foreign Exchange, IT and Credit. Before joining Punjab & Sindh Bank he had worked with Oriental Bank of Commerce from May 1977 to December 2015 and held various positions upto Chief General Manager. As a CGM of OBC he headed the large Corporate Credit Department at Corporate Office & as General Manager headed the various verticals at Corporate offices such as Intergrated Treasury and International division, Mid Corporate Credit and C.M.D. Sectt., Merchant Banking Division, Investors Relation's etc. He is presently serving as Director on the Board of Micro Units Development & Refinanceagency Limited, IDBI Asset Management Limited, ICMAI Registered Valuers Organisation, Inmacs Finance Private Limited, PNB Metlife India Insurance Company Limited, Nabsamruddhi Finance Ltd. He does not hold any securities in his own name and no share or convertible instrument in the Company is held by him, either in his name or in the name of any other person, on a beneficial basis.

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

The terms of reference of Audit Committee are to examine the Financial Statements and the auditors' report thereon, to evaluate internal financial controls and risk management systems, to review and monitor the auditor's independence, performance and effectiveness of audit process, to approve or any subsequent modification of transactions with related parties, review the functioning of the Whistle Blower Mechanism, etc.

**COMPOSITION, MEETINGS AND ATTENDANCE OF THE COMMITTEE**

The Audit Committee met five times during the financial year 2019-20 at regular intervals on April 15, 2019, June 11, 2019, August 06, 2019, November 05, 2019, February 05, 2020 and not more than four months lapsed between two meetings. The composition of the Audit Committee and attendance of Directors as on March 31, 2020 is shown below:

| **Name/ category** | **Position in Audit Committee** | **No. of meetings during the tenure of member** | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Arvind Kumar Jain<br>Non-Executive Director | Chairman | 5 | 5 |
| Madhushree Nanda Agarwal*(a)*<br>Non- Executive Director | Member | 1 | 1 |
| Mr. Sachikanata Mishra<br>Non- Executive Director | Member | 5 | 5 |
| DIRECTORS WHO CEASED TO BE ON THE COMMITTEE DURING FY 2019-20 | | | |
| Mr. Padmanabhan Raja Jaishankar*(b)*<br>Non- Executive Director | Member | 4 | 3 |

(a) Mr. Madhushree Nanda Agarwal was inducted as Member w.e.f. February 04, 2020.
(b) Mr. Padmanabhan Raja Jaishankar ceased as Member w.e.f. January 30, 2020.

## 3. NOMINATION & REMUNERATION COMMITTEE

### TERMS OF REFERENCE

The terms of reference of Nomination and Remuneration Committee are to formulate the criteria for determining qualifications, positive attributes and independence of a director, to identify persons who are qualified to become directors and who may be appointed in senior management etc.

### COMPOSITION, MEETINGS AND ATTENDANCE OF THE COMMITTEE

During the Financial Year 2019-20, three meetings of Nomination and Remuneration Committee were held on June 11, 2019, August 06, 2019, November 05, 2019. The composition of the Nomination and Remuneration Committee and attendance of Directors as on March 31, 2020 is shown below:

| Name/ category | Position in Committee | No. of meetings during the tenure of member | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Arvind Kumar Jain<br>Non-Executive Director | Chairman | 3 | 3 |
| Mr. Sachikanata Mishra<br>Non- Executive Director | Member | 3 | 3 |
| Ms. Madhushree Nanda Agarwal<br>Non-Executive Director | Member | 3 | 3 |

### Details of remuneration paid to Directors

The details of salary and sitting fees paid to the Directors for the year ended 31st March, 2020 are as under:

(Amount in Rs.)

| Sl. No. | Name | Salary | Perquisite | Profit In lieu of Salary | Sitting Fees | Total |
|---|---|---|---|---|---|---|
| 1. | Dr. Emandi Sankara Rao<br>Non-Executive Chairman | - | - | - | - | - |
| 2. | Mr. Sachikanta Mishra<br>Non-Executive Director | - | - | - | - | - |
| 3. | Mr. Arvind Kumar Jain<br>Non-Executive Director | - | - | - | 5,17,500/- | 5,17,500/- |
| 4. | Ms. Madhushree Nanda Agarwal<br>Non-Executive Director | | | | 3,06,000 /- | 3,06,000 /- |
| 5. | Mr. Bikash Kanti Roy<br>Managing Director | 32,43,752/- | 9,19,863/- | 73,476/- | - | 42,37,091/- |

| DIRECTORS WHO CEASED TO BE ON THE BOARD OF DIRECTORS DURING FY 2019-20 | | | | | | |
|---|---|---|---|---|---|---|
| 6. | Mr. Padmanabhan Raja Jaishankar<br>Non-Executive Director | - | - | - | 85,500/- | 85,500/- |

## 4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

### TERMS OF REFERENCE

The terms of reference of the Corporate Social Responsibility (CSR) Committee are to formulate and recommend to the Board, a Corporate Social Responsibility Policy, to recommend the activities, the amount of expenditure to be incurred on the activities referred in Corporate Social Responsibility Policy and to monitor Corporate Social Responsibility Policy etc.

### COMPOSITION, MEETINGS AND ATTENDANCE OF THE COMMITTEE

During the Financial Year 2019-20, the CSR Committee of Directors met on June 11, 2019 and February 05, 2020. The composition of the CSR Committee and attendance of Directors as on March 31, 2020 is shown below:

| **Name/ category** | **Position in Committee** | **No. of meetings during the tenure of member** | |
|---|---|---|---|
| | | Held | Attended |
| Ms. Madhushree Nanda Agarwal*(a)*<br>Non-Executive Director | Chairman | 2 | 2 |
| Mr. Bikash Kanti Roy<br>Managing Director | Member | 2 | 2 |
| Mr. Sachikanata Mishra*(b)*<br>Non- Executive Director | Member | 1 | 1 |
| DIRECTORS WHO CEASED TO BE ON THE COMMITTEE DURING FY 2019-20 | | | |
| Mr. Padmanabhan Raja Jaishankar*(c)*<br>Non- Executive Director | Chairman | 2 | 0 |

*(a)* Ms. Madhushree Nanda Agarwal, Member was appointed as Chairman w.e.f. February 4, 2020
*(b)* Mr. Sachikanta Mishra was inducted as Member w.e.f. February 04, 2020.
*(c)* Mr. Padmanabhan Raja Jaishankar ceased as Chairman w.e.f. January 30, 2020 due to his resignation from the Board of the Company.

## 5. COMMITTEE OF DIRECTORS

The terms of reference of Committee of Directors are to sanction financial assistance by way of factoring, advance against future receivables, corporate loans, working capital, settlement/settlement/restructuring of dues as per the Credit Policy of the Company, to borrow monies, create charge on the assets and to allot the securities etc.

The Committee of Directors met nine times during the Financial Year 2019-20 on June 11, 2019, July 25, 2019, August 06, 2019, October 01, 2019, October 23, 2019, November 05, 2019, January 10, 2020, January 23, 2020 and February 5, 2020. The composition of the Committee of Director and attendance of Directors as on March 31, 2020 is shown below:

| **Name/ category** | **Position in Committee of Directors** | **No. of meetings during the tenure of member** | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Sachikanta Mishra<br>Non-Executive Director | Chairman | 9 | 7 |
| Mr. Arvind Kumar Jain<br>Non-Executive Director | Member | 9 | 9 |
| Mr. Bikash Kanti Roy<br>Managing Director | Member | 9 | 9 |
| Ms. Madhushree Nanda Agarwal<br>Non-Executive Director | Member | 9 | 7 |

## 6. RECOVERY COMMITTEE

The terms of reference of Recovery Committee are to oversee the NPA recovery. The Committee met four times during the Financial Year 2019-20 at regular intervals on June 11, 2019, August 06, 2019, November 5, 2019 and February 04, 2020. The composition of the Recovery Committee and attendance of Directors as on March 31, 2020 is shown below:

| **Name/ category** | **Position in Committee of Directors** | **No. of meetings during the tenure of member** | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Sachikanta Mishra<br>Non-Executive Director | Chairman | 4 | 4 |
| Mr. Bikash Kanti Roy<br>Managing Director | Member | 4 | 4 |
| Mr. Arvind Kumar Jain<br>Non-Executive Director | Member | 4 | 4 |

## 7. RISK MANAGEMENT AND ASSET LIABILITY MANAGEMENT COMMITTEE

The terms of reference of Risk Management and Asset Liability Management Committee are to identify and monitor key risk areas, devise the policy and strategy for integrated risk management, to critically assess the Company's business strategies and plans from a risk perspective, manage risks to which the Company is exposed, including credit, market, operational and reputational risks and to review the Statement of Short Term Dynamic Liquidity, Structural Liquidity, Interest Rate Sensitivity etc. The Risk Management & Asset Liability Management Committee met three times during the Financial Year 2019-20, on June 11, 2019, August 6, 2019, and February 4, 2020. The composition of the Risk Management and Asset Liability Management Committee and attendance of Directors as on March 31, 2020 is shown below:

| **Name/ category** | **Position in Committee** | **No. of meetings during the tenure of member** | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Arvind Kumar Jain<br>Non- Executive Director | Chairman | 3 | 3 |

| | | | |
|---|---|---|---|
| Mr. Sachikanata Mishra<br>Non-Executive Director | Member | 3 | 3 |
| Mr. Bikash Kanti Roy<br>Managing Director | Member | 3 | 3 |

## 8. GENERAL BODY MEETING

| Financial Year | Date & time of AGM | Venue of the AGM |
|---|---|---|
| 2018-19 | 24th September 2019/ 12:00 Noon | IFCI Tower, 61 Nehru Place, New Delhi-110019 |
| 2017-18 | 24th September 2018/ 11:00 A.M | IFCI Tower, 61 Nehru Place, New Delhi-110019 |
| 2016-17 | 06th September 2017/ 11.00 A.M | IFCI Tower, 61 Nehru Place, New Delhi-110019 |

**Following Special Resolutions were passed at the above AGMs:**

| AGM Date | Particulars of Special Resolutions |
|---|---|
| 24th September 2019 | NIL |
| 24th September 2018 | NIL |
| 06th September, 2017 | NIL |

## 9. DISCLOSURES

(i) The Company did not enter into transactions with the related parties that may potentially conflict with the interests of the Company at large during the year under review. Further, all the related party transactions were in the ordinary course of business and arm length price & have been disclosed in note no.31 of the Notes to Accounts of the Balance Sheet for the year ended March 31, 2020.

(ii) There has been no non-compliance by the Company nor any penalties imposed on the Company by any authorities.

(iii) The Company has a Whistle Blower Policy duly approved by the Board, which has been circulated to all the employees of the Company and also placed on the website of the Company viz. www.ifcifactors.com. Further, it is affirmed that no personnel has been denied access to the Audit Committee.

(iv) During the year, no expenses which are of personal nature have been incurred for the Board of Directors and top management.

(v) The Administrative and Office Expenses during the year to the total expenses are 11.41% as against 10.09% for the last year. Further, the Financial Expenses are 55.88% of the total expenses as against 64.06% for the last year.

## 10. MEANS OF COMMUNICATION

The Annual Report and other statutory information are being sent to shareholders. The financial results of the Company are generally published in Business Standard / Financial Express newspaper.

## 11. TRAINING OF BOARD OF DIRECTORS

The Company furnishes a set of documents to the directors and informs them about the important data regarding recent developments about the performance of the Company, industry scenario & regulatory changes.

## CODE OF CONDUCT

The Board of Directors have laid down a Code of Business Conduct and Ethics for all Board members and Senior Management Personnel of the Company. The Code of Conduct has also been posted on the website of the Company viz. www.ifcifactors.com The members of the Board and Senior Management Personnel have on 31st March, 2020 affirmed compliance with the Code of Business Conduct and Ethics. A declaration to this effect, duly signed by the Managing Director is annexed and forms part of this Report

DECLARATION BY THE MANAGING DIRECTOR

I hereby confirm that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct and Ethics framed for Directors and Senior Management, as approved by the Board, for the year ended 31st March, 2019.

Place : New Delhi
Date : 27.08.2020

Bikash Kanti Roy
Managing Director
DIN : 02171876

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## 1. ECONOMY OVERVIEW

### 1.1 Global Economy

Global economic growth registered 2.9% in 2019 (IMF), the weakest pace since the global financial crisis a decade ago, reflecting a series of shocks which had common repercussions across boundaries in spite of idiosyncratic factors in different countries. An array of events trade tensions between US and China, delay in Brexit, an impending recession on account of global macro-financial conditions, oil market disruptions, geo-political tensions (Iran and North Korea), social unrest (Venezuela, Libya and Yemen), country specific risks in large emerging market economies such as India, Brazil, Russia and Mexico posed significant spillover risk to all major economies around the globe including advanced economies in Europe and other emerging market economies. Central Banks across the globe reacted aggressively to the sluggish activity by reducing interest rates, which averted a deeper slowdown. The measures taken bolstered purchase of non-durable goods and services that supported job creation thus helping the economy to stay afloat. Concurrently, fears of recession in the US faded away with the correction in inverted US yield curve. Commodity market behaviour was inherently unpredictable induced by geopolitical risks due to which supply side could not establish a complementary relationship with demand. The expectation of gradual recovery in global economy or substantial evidence of resisting a full-blown recession has become considerably muted due to the threat raised by Covid-19. The virus had spread to more than 200 countries in a very short span of time. Economies around the globe took time to realise the pandemic nature of the disease, for which heavy price is being paid in general. The severity of the global pandemic is highly ambiguous, but it is clear that the wider its spread, the more deadly and destructive the virus can become. It is expected to play a decisive role in moulding the future of global economy. The greater the odds of a global downturn, anticipated economic downturn could be deeper and the subsequent recovery could be weaker reflecting the devastation inflicted by the pandemic. The crisis is unprecedented. The permanent output loss associated with the Novel Coronavirus and related containment measures are likely to exceed the losses from the Global Financial Crisis 2008-09. There is uncertainty on the duration and intensity of the pandemic and no single conventional method of stimulating economic activity may be effective to revive the economy. The current situation demands that the focus be on slowing down the spread of virus, protecting the precious lives and better preparedness by health care sector. The Global Economy is expected to experience its worst recession since the Great Depression of the 1930s, leading to a dramatic shrinkage in growth. Reverberations of the recession may last for a few years, if the pandemic lasts long. It is expected that tight financial conditions persist which would, in turn, lead to job losses and insolvency of firms. The swift and substantial economic policy action taken in many countries to support people and the earliest timeframe within which a vaccine is developed may pin down the shape of recovery to be V/U/W or even a convoluted Swoosh type.

### 1.2 Indian Economy

FY 20 started off on an optimistic note with the Government receiving stronger mandate for the second successive term, which raised hopes of continuity in policy and reforms framework. However, the economy was grappling with slow macro numbers throughout the Year in tune with global weakness. India’s GDP had grown at 5.2% in Q1, 4.4% in Q2, 4.1% in Q3 and 3.1% in Q4 aggregating to a growth of 4.2% for the full year. The cumulative IIP (Index of Industrial Production) for the period April-March 2019-20 has contracted by 0.7%

over the corresponding period of the previous year. Trade deficit for the period April-January 2019-20 reduced to USD 133.27 Billion from USD 163.275 Billion of the corresponding period of the previous year because of reduction in oil price and reduced demand for imported goods. Economy was going through a more than anticipated slowdown, as weakness in the real sector and stress in the financial sector were acting together to bring down the growth numbers. This deceleration in the economy was led by a sharp slowdown in gross fixed capital formation and sluggishness in private final consumption expenditure. A fall in major economic indicators such as industrial production, exports, bank credit, tax collections, freight movement, automobiles sales and electricity production in addition to slowing global growth and uncertainties emanating from trade conflict were pointing towards an inarguable slackening of growth. The economy was facing an increasing propensity to save and a decreasing propensity to invest especially by private corporates, which forced the Government to use fiscal and monetary space to keep the economy moving. Global market volatility and return to safe–haven have undoubtedly influenced Indian markets, which have put additional stress on the financial sector that already had constraints in uplifting the economy. If the pandemic does not subside soon, the economy may contract in FY21 resulting in permanent output loss of Rs. 16-25 Trillion or 10%-12% of GDP. Unemployment rates which were already at peak are set to rise to nearly 25% from the current stage. Therefore, it is of utmost priority that Governments at the Centre and States need to be extremely zealous through fiscal support to recoup the losses by supporting vulnerable firms and restore normalcy in the economy.

### 1.3 NBFC Industry

Since the last decade, the NBFC sector has held critical importance in the Indian Financial Services sector. The main objective of NBFCs has been serving the underserved segment of the Indian economy such as MSME, microfinance and other retail segments. Over the past few years NBFCs have undergone a significant transformation and today they form an important component of India's financial system. NBFCs are harnessing technology to reinvent traditional business models and offer loans in a faster, customised and more convenient way to the under banked population of India. NBFCs especially those catering to the urban and rural poor namely NBFC-MFIs and Asset Finance Companies have a complimentary role in the financial inclusion agenda of the country. Most NBFCs leverage alternative and technology-driven credit appraisal methodologies to ascertain the credit worthiness of prospective borrowers. This differentiated and unique approach allows them to meet loan requirements of individuals and businesses left traditionally underserved by banks. With the introduction of e-KYC and digital loan agreements making borrowing an instant and hassle-free experience, NBFC lenders are already offering the right financial products to consumers and small businesses in a customised manner. The use of technology to optimise business processes also keeps cost overheads to a minimum, enabling credit to be availed at highly competitive interest rates. Moreover, NBFCs often have deep regional reach, which they leverage to build robust relationships with their target customer bases. Many new-age NBFCs have started investing in analytics and AI capabilities to connect to their customers in a hyper-personalised manner to serve their credit needs better.

It was a clear indication during the Budgets in July 2019 and February 2020, that the financial services sector, being the backbone of the economy, would be a focus area to boost the economy and investor confidence. For the NBFC sector, the limit to be eligible for debt recovery under the SARFAESI Act, 2002 has been proposed to be reduced from Rs. 5 billion to asset size of Rs. 1 billion or loan size from existing Rs. 10 million to Rs. 5 million.

Secondly, the Factoring Regulation Act, 2011 has been proposed to be amended so as to enable the NBFCs to extend invoice financing to the micro, small and medium enterprises (MSMEs) through the Trade Receivables Discounting System (TReDS), thereby enhancing their economic and financial sustainability.

NBFCs (including HFCs) outstanding AUM stood at Rs. 27.3 trillion as at FY19. From FY14-FY19, it grew at a CAGR of 17%. The NBFC sector (including HFCs) are expected to post an AUM growth of 6-8% in FY20, as compared to 13% in FY19 (Source: CRISIL). Slow economic growth on account of pre-existing macroeconomic factors, COVID-19 lockdown impact, rising borrowing cost and constrained funding access are some of the reasons behind the moderated growth rate. However, NBFCs with largely retail granular portfolio are having lesser difficulty in accessing funds. These retail focused NBFCs, as they have a de-risked portfolio, are facing lesser challenge as compared to whole-sale focused NBFCs. Similarly, in case of SCBs, the GNPA ratio remained unchanged at 9.3% in September, 2019 as compared to March, 2019. However, NNPA ratio declined moderately as of September, 2019 indicating an increase in provisioning as compared to March, 2019.

Since 2019 though, this segment has faced few difficulties due to the liquidity crisis on account of failure of an infrastructure finance company. Banks tightened their credit flows and this liquidity squeeze reduced the pace of acceleration of credit as entities chose to focus on asset-liability management over AUM growth. Also, Mutual Funds (MFs) witnessed a fall in NBFC exposure due to liquidity concerns and reduction in sectoral exposure limit by SEBI in NBFC from 25% to 20%. As a result of which share of AMC-MFs in outstanding borrowings fell from 33.0% in Jun-2018 to 25.9% in Sep-2019 for NBFCs, and from 33.1% in Jun- 2018 to 26.7% in Sep-2019 for HFCs. Alternatively, NBFCs and HFCs have resorted to banks for their funding needs via term loans, securitisation and assignment.

Further to counter future liquidity risk in the sector, RBI introduced a new liquidity risk management framework. Under the new framework, non-deposit taking NBFCs with asset size of more than Rs. 100 billion and all deposit taking NBFCs will have to maintain a liquidity coverage ratio (LCR) requirement of 50% by December 01, 2020 and progressively increase it to 100% by December, 2024. Similarly, non-deposit taking NBFCs with asset size between Rs. 50 billion and Rs. 100 billion would be required to have a minimum LCR of 30% by December 01, 2020. This might have produced short-term pain in the industry but it's an excellent long-term measure to protect the sector from externalities, boost confidence in robustness of the sector, lower cost of funds for NBFCs (due to lower risk perception) and improve the overall risk management frameworks across the industry.

After the break-out of Covid-19, RBI gave respite to NBFCs by Liquidity boosting measures by way of Targeted Long-Term Repo Operations (TLTRO) of Rs 500 billion that targets mid- and small-sized nonbank financial companies (NBFCs) and microfinance institutions (MFIs). This measure will assist them in managing their ALM position better. A halt to asset classification till May 31, 2020, along with giving a further 90-day extension for asset recognition, i.e., a moratorium on NPA classification which was further extended to 31st August 2020. It is expected Government will come out with further measures at an appropriate time for bringing more stability in the sector.

## 1.4 Factoring Industry

The world factoring statistics showed solid business growth in the year 2019, indicating positive trends in most regions of the world. The 2019 volume shows a growth of 5% YOY, reaching Euro 2.91 Trillion from Euro 2.76 Trillion in 2018. Considering the continuation of trade war between China and USA and various other geo-political issues globally, especially in larger factoring markets like the UK, Turkey, Russia, Greater China, and South Africa etc., 2019 turned out to be quiet a good year overall for the factoring industry.

As per FCI data, Indian Factoring industry has, in fact, far exceeded the global trend, with a YOY growth rate of 12.3 % over last year's growth of 6%, achieving an annual turnover of Euro 5.09 billion, in spite of adverse macroeconomic conditions and recessionary trends seen all over the industry in India and globally.

The largest factoring market continues to be Europe with an increased market share of 67.75 % in 2019 over last year, followed by Asia Pacific, with a decreased share of 23.57%, while the Americas maintained their share at roughly about 7.5%.

Thus, it is evident, that factoring business in India continues to grow YOY and the trend and is still evolving. While globally, it remains a widely acceptable proposition in India the business has witnessed several stumbling blocks during its course so far. However, the Indian government has made several efforts to provide a facilitating regulatory environment for factoring business to develop and the desired effects are now emerging, with the MSME segment being the biggest beneficiary, where the banks do not readily extend credit without tangible collaterals.

## 2. Operational Performance

Amidst the challenging macroeconomic environment, your Company witnessed a decrease in Funds In Use (FIU). This coupled with old baggage of NPA's led to the Company incurring losses during the current financial year. During the year, your Company achieved a turnover of Rs. 873.63 crore (a 20% decrease from previous year) and a gross income of Rs. 42.09 crore. Further, your Company incurred a loss before tax of Rs. 7.81 crore and a loss after tax of Rs. 5.38 crore.

The major financial parameters for the financial year ended March 31, 2020 vis-à-vis the previous financial year are tabulated below:

(Rs. in Crore)

| **Parameters** | **Year ended 31.03.2020** | **Year ended 31.03.2019** |
|---|---|---|
| Turnover | 873.63 | 1092.60 |
| **Funds in Use** | | |
| Factoring Business | 451.36 | 503.61 |
| Other Business | 130.68 | 129.34 |
| Total Funds in use | 582.04 | 632.95 |
| Total Income | 42.09 | 50.80 |
| Profit / (Loss) Before Tax | (-)7.81 | (-)3.85 |
| Profit / (Loss) After Tax | (-)5.38 | (-)20.07 |

**Segment wise / Product –wise Performance**

The Company has extended both factoring and non-factoring facilities to its clients. The product wise exposure of the Company as on March 31, 2020 is as under:

| Sr. No. | Particulars | Amount (Rs. in crore) |
|---|---|---|
| **A.** | **Factoring** | |
| 1. | Domestic Sales Bill Factoring | 409.28 |
| 2. | Export Sales Bill Factoring | 1.03 |
| 3. | Advance Against Future Receivables | 15.40 |
| 4. | Purchase Bill Factoring | 25.65 |
| | **Total (A)** | **451.36** |
| **B.** | **Non Factoring** | |
| | Corporate Loan | 130.68 |
| | **Total (B)** | **130.68** |
| | **Total (A+B)** | **582.04** |

The Company has extended facilities across industry segment. Industry wise exposure of the Company as on March 31, 2020 is as under:

| Sr. No. | Particulars | Amount (Rs. crore) |
|---|---|---|
| 1. | Small Scale Industries | 13.26 |
| 2. | Medium & Large Industries | 39.30 |
| 3. | Construction | 54.09 |
| 4. | Advance to Capital Market | 11.93 |
| 5. | Retail Trade | - |
| 6. | Commercial Real Estate | 46.12 |
| 7. | Infrastructure | 80.63 |
| 8. | Transport Operators | 26.63 |
| 9. | Consumer Durables | - |
| 10. | Others | 310.08 |
| | **Total** | **582.04** |

## 3. Opportunities

i) The Company is only operating in working capital space for the entire IFCI Group.
ii) The Company has been extended rights under SARFAESI.
iii) The Company has joined Credit Guarantee Fund Scheme for Factoring, having a corpus of Rs. 500 crore, introduced by Ministry of Finance, to facilitate factoring transactions for MSMEs.

iv) Funding gap in more than 45 million SME's in the Country gives enormous opportunity as banks have not been able to meet the funding needs to this sector.
v) Factoring being a flexible, transaction based short – term credit, it is a perfect source of finance for the MSME sector.
vi) Factoring business in India is far from reaching the maturity stage, this offers growth opportunity to serious player like IFCI Factors Ltd.
vii) International Factoring at a nascent stage in India, this provides a major growth segment.

## 4. Threats

i) The Company does not have DRT access.
ii) Provisioning requirement for the impaired assets to the extent of 100% is required to be made within 12 months due to unsecured nature of facilities which has adverse impact on the profitability of the Factoring entities.

## 5. Outlook

The Company would strive to maintain its asset quality through vigilant monitoring, recovery of its non- performing assets, arrest further slippages of the accounts into NPA and grow its asset base with addition of quality assets.

The challenges and opportunities remain in general to the all the players within the factoring industry, and it hinges to a large extent on the management of NPA's and ensuing recovery made. The Factoring still has a lot of untapped potential, especially within the MSME sector. The government is also backing the development of this product, underlining its importance towards fuelling industrial growth.

To conclude, we can say that there are better days in the offing for factoring industry, as we are on the threshold of a new beginning. The Factoring product holds promise and recent developments in the form of credit guarantee scheme under the aegis of Govt of India, revisiting of credit protection clause by IRDA, enhancing the ambit of SARFAESI Act, passing of Banking & Insolvency Bill, 2016 etc., would go a long way towards promoting the overall factoring industry.

## 6. Risks and concerns

i) More than 70% of overall asset base of the Company is unsecured.
ii) Increased competition from banks consequent to permission to banks to undertake business of factoring in India.
iii) Prolonged litigation involved in recovery of dues through cheque bouncing and civil cases.
iv) Cost of funds for an NBFC is higher than banks resulting into shrinking margins and limited offtakes.

## 7. Internal Control Systems

The Company has an Internal Control System which is commensurate with the size, scale and complexity of its operations.

## 8. Material developments in Human Resources / Industrial Relations front, including number of people employed

The Company has continuously adopted structures that help attract best external talent and promote internal talent to higher roles and responsibilities. The Company's people centric focus providing an open work environment fostering continuous improvement and development helped several employees realize their career aspirations during the year.

During the year under report, your Company had witnessed some attrition. The Company had twenty seven employees on its roll as on March 31, 2020 vis-à-vis thirty employees as on March 31, 2019.

## 9. Other disclosures

Details of Environmental protection and conservation, technological conservation, renewable energy developments, foreign exchange and CSR are mentioned in the Directors' Report.

**SVP & ASSOCIATES**
CHARTERED ACCOUNTANTS

1209, New Delhi House
27, Barakhamba Road,
Connaught Place, New Delhi-110001
Tel. :011-23351538-39-40, 41516079

**June 24, 2020**

**To**
**The Members of IFCI Factors Limited**
**Nehru Place, Delhi**

Sub: Submission of Amended Independent Auditor's Report for the year ended March31, 2020

This is with reference to our VC with IFCI Central Auditor, we are submitting Revised Auditor Report as suggested by Central Auditor of IFCI.

We further confirm that the Accounting Policy adopted by IFCI Factor are in consistent with the Accounting Policy of IFCI Ltd.

Thanking You,

Yours Sincerely,

For SVP & Associates
Chartered Accountants
FRN: 003838N

SVP & ASSOCIATES
FRN: 003838N
New Delhi
Chartered Accountants

CA Vijay Kumar Chopra
Partner
M.No.054600
Place: New Delhi

**SVP & ASSOCIATES**
CHARTERED ACCOUNTANTS

1209, New Delhi House
27, Barakhamba Road,
Connaught Place, New Delhi-110001
Tel. :011-23351538-39-40, 41516079

# INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF IFCI FACTORS LIMITED**

**Report on the Standalone Ind AS Financial Statements**

**Opinion**

We have audited the accompanying standalone financial statements of IFCI Factors Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and its loss, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these.

SVP & ASSOCIATES FRN New Delhi Chartered Accountants

| Sr. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1 | Impairment of Financial Assets held at amortised cost:<br><br>The Company exercises significant judgement using subjective assumptions over both when and how much to record as impairment for loans and advances and estimation of the amount of the impairment provision for loans and advances.<br><br>The most significant areas are:<br>• impairment models:<br>- Judgement is required to determine the inputs, methodologies, staging/restaging in case of Significant increase in Credit Risk ("SICR") cases and assumptions and these can significantly impact the provisions held. The most significant judgements include the segmentation level at which historical loss rates are calculated, the length of the recovery period and the loss emergence period applied to historical loss provisions.<br><br>• identification of impairment:<br>- Corporate exposures are individually assessed for impairment (including identification of cases with SICR) based on a borrower's financial performance, solvency, liquidity etc.<br><br>- For Retail exposures, collective impairment allowances are calculated using models which approximate credit conditions on homogenous portfolios of loans.<br><br>• Inputs and Judgements used in determination of management overlay at various asset stages considering the current uncertain economic environment with the range of possible effects unknown to the country arising out of the COVID-19 pandemic.<br><br>Since the loans and advances form a major portion of the Company's assets, and due to the significance of the judgments used in classifying loans and advances into various stages as stipulated in Indian Accounting Standard (IND AS) 109 and determining related impairment provision requirements, this is considered to be the area that had a greater focus of our overall Company audit and a key audit matter. | Principal audit procedure performed<br><br>• We read the Company's Ind-AS 109 based impairment provisioning policy ;<br><br>• We gained an understanding of the Company's key credit processes comprising granting, booking, monitoring, staging and provisioning and tested the operating effectiveness of key controls over these processes;<br><br>• We tested the completeness of loans and advances, off balance sheet items and other financial assets included in the Expected Credit Loss (ECL) calculations as of 31 March 2020;<br><br>• For data from external sources, we understood the process of choosing such data, its relevance for the Company, and the controls and governance over such data;<br><br>• Where relevant, we used Information System specialists to gain comfort on data integrity;<br><br>• We tested the data integrity and completeness of the Staging Report;<br><br>• For provision against exposures, we obtained an understanding of the Company's provisioning methodology, consistency of various inputs and assumptions used, the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management;<br><br>• For a sample of exposures, we tested the appropriateness of determination of significant increase in credit risk and the resultant basis for classification of exposures into |

| | | |
|---|---|---|
| | | various stages;<br>• We assessed the appropriateness of the calculation of the management overlay in response to COVID-19 related economic uncertainty.<br>• We performed an overall assessment of the provision levels at each stage including management's assessment on COVID-19 impact to determine if they were reasonable considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment. |

**Information Other than the Financial Statements and Auditor's Report Thereon**

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report and Management Discussion and Analysis report, but does not include the standalone financial statements and our auditor's report thereon. The Director's report and Management Discussion and Analysis report is expected to be made available to us after the date of this auditor's report.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial¦ statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial¦ statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial¦ statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial¦ statements, including the disclosures, and whether the standalone financial¦ statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial¦ information of the Company to express an opinion on the standalone financial¦ statements.

- Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

(i) the Company does not have any pending litigations which may impact its financial position;

(ii) the Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

(iii) there has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;

(iv) as per the directions/sub directions issued by the C&AG of India under section 143(5) of the Companies Act 2013 and on the basis of such verification of the books and records as considered appropriate and available and according to explanations given to us and as per declarations given by the company, we enclosed in Annexure – 'C' a statement on the matters specified in directions issued by The Comptroller and Audit General of India.

*For* **SVP & Associates**
*Chartered Accountants*
ICAI Firm Registration Number: 003838N

**CA VIJAY KUMAR CHOPRA**
*Partner*
Membership No.: 054600
UDIN: 20054600AAAACC3927
Place: New Delhi
Date: 24 June 2020

**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF IFCI FACTORS LIMITED FOR THE YEAR ENDED MARCH 31, 2020**

i)

a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) According to the information and explanations given to us, all fixed assets have been physically verified by the management in phased manner during the year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

c) The Company does not own any immovable property, hence clause not applicable.

ii) The Company does not have any inventory. Therefore, the provisions of clause 3 (ii) of the Order, are not applicable.

iii) As informed to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, provisions of clause 3(iii) (a) to (c) of the Order are not applicable.

iv) The Company is a registered non–banking finance company to which the provisions of Sections 185 and 186 of the Companies Act, 2013, are not applicable, and hence reporting under clause (iv) of CARO 2016 is not applicable.

v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits as per the directions issued by the Reserve Bank of India from the public in accordance with relevant provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph (v) of the Order is not applicable to the Company.

vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services/activities rendered by the company.

vii) a) According to the information and explanations given to us and according to the records produced before us for verification, the Company is regular in depositing, with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Service Tax, custom duty, excise duty, cess and any other material statutory dues applicable to it. As explained to us, the company did not have any dues on account of employees' state insurance.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income Tax, Sales Tax, Service Tax, Custom duty, excise duty, cess and any other statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no material dues of income tax, excise duty, sales tax, custom duty and service tax, which have not been deposited with appropriate authorities on account of any dispute except the following:

| Name of the Statute | Nature of Dues | Amount (₹ in Lakhs) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax | 3,73,044 | A/Y 2002-03 | AO/TRO |
| Income Tax Act, 1961 | Income Tax | 2,66,464 | A/Y 2003-04 | AO/TRO |
| Income Tax Act, 1961 | Income Tax | 9,42,182 | A/Y 2004-05 | AO/TRO |
| Income Tax Act, 1961 | Income Tax | 5,38,440 | A/Y 2011-12 | AO/TRO |

viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, banks, Government (both state and Central) or debenture holders.

ix) The company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. On the basis of information and explanations given to us, the money raised by way of term loans have been applied for the purposes for which they were obtained.

x) According to the information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.

xi) To the best of our knowledge and belief and according to the information and explanations given to us, Section 197 read with schedule V of the Act is not applicable to the company.

xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi company. Accordingly, paragraph 3(xii) of the order is not applicable.

xiii) According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties arein compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv) The Company has made Preferential Allotment of 50,00,000 Equity Shares of Rs.10 each to IFCI Ltd upon conversion of 100 Optionally Convertible Debentures of Rs. 500,000 each.

The requirement of section 42, 62(1)(c), 71 of the Companies Act, 2013 has been complied with.

xv) According to the information and explanations given to us and based on our examination of the records of the company, the company has not been entered into non cash transaction with directors or persons connected with him. Accordingly, paragraph 3(xv) of the order is not the applicable.

xvi) According to the information and explanations given to us and based on our examination of the records of the company, the company has received registration certificate dated 3rd June, 2009 from RBI under section 45-IA of the Reserve Bank of India Act, 1934 and is permitted to carry on the business as NBFC-Factors in accordance with the Factoring Regulation Act, 2011.

*For* **SVP & ASSOCIATES**
*Chartered Accountants*
ICAI Firm Registration Number: 003838N

**CA VIJAY KUMAR CHOPRA**
*Partner*
Membership No.: 054600
UDIN:
Place: New Delhi
Date: 24 June 2020

## ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF IFCI FACTORS LIMITED

### Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial¦ reporting of IIFL Finance Limited (Formerly known as IIFL Holdings Limited) ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of ¦internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records,, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*For* **SVP & ASSOCIATES**
*Chartered Accountants*
ICAI Firm Registration Number: 003838N

**CA VIJAY KUMAR CHOPRA**
*Partner*
Membership No.: 054600
UDIN:
Place: New Delhi
Date: 24 June 2020

## ANNEXURE 'C' TO THE INDEPENDENT AUDITOR'S REPORT

**Statements on the matters Specified in directions issued by the Comptroller and Audit General of India in accordance with Section 143(5) of the Companies Act, 2013**
**(Referred to in Paragraph 3 of our Audit Report of even date)**

1. According to information and explanations given to us and based on the information available, the company is having lease deed(s) for its leasehold Properties.

2. According to information and explanations given to us and based on the information available and as per declaration given by the company, the Cases of Restructure/waiver/write off of debtors/loan/interest etc. as approved by the Board of Directors during the year ended 31March 2020 are as follows:

| S. No. | List of cases of write off/ waiver of debtors/loans/Interest During the financial year 2019-2020 | Amount Involved (₹ in Crores) | | |
|---|---|---|---|---|
| | | Principal Waiver | Interest Waiver | Total Waiver |
| 1 | Multi Flex Lami Print Ltd | 3.46 | 10.56 | 14.02 |
| 2 | MVL Industries Ltd | 0.24 | 3.31 | 3.55 |
| 3 | MVL Ltd | 7.86 | 14.05 | 21.91 |
| 4 | Accurate Transformers Ltd | 1.63 | 3.07 | 4.70 |
| 5 | GHV India Pvt Ltd | - | 0.03 | 0.03 |
| | **Total** | **13.19** | **31.02** | **44.21** |

3. According to information and explanations given to us and based on the information available, the company does not have inventory lying with third parties and no assets have been received as gift/grants from the Government or other authorities.

4. According to information and explanations given to us and based on the information available, the company has well established IT system in place for processing of accounting transactions. The company has Trade Free system for recording factoring transactions and Oracle for term loan and Accounting entries. The company also has requisite maker checker concept in place for recording the transactions there will not be any dilution in the integrity of accounting transaction, if the transaction is processed outside the IT system.

5. According to information and explanations given to us and based on the information available, the Trial Balance of the company is generated from Oracle and the Balance Sheet is prepared on excel, the data are transported from oracle to excel, and further processing is done manually.

Sub-Directions

1. According to information and explanations given to us and based on the information available, there is no investment in CGS/SGS/Bonds/Debentures, hence the verification of titles of ownership in respect of CGS/SGS/Bonds/Debentures etc. are not applicable.

2. According to information and explanations given to us and based on the information available, there is a system of periodical assessment of realisable value of securities available against all restructured (except Critical Mass Multilink Limited), rescheduled and renegotiated loan and adequate provision has been created during the year.

*For* **SVP & ASSOCIATES**
*Chartered Accountants*
ICAI Firm Registration Number: 003838N

**CA VIJAY KUMAR CHOPRA**
*Partner*
Membership No.: 054600
UDIN: 20054600AAAACC3922
Place: New Delhi
Date: 24 June 2020

**IFCI FACTORS LIMITED**
**CIN NO:-U74899DL1995GOI074649**
**10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019**

## BALANCE SHEET AS AT MARCH 31, 2020

| Particulars | Note No. | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|---|
| **Assets** | | | |
| **Financial Assets** | | | |
| Cash and Cash Equivalents | 1 | 2,165.49 | 1,060.16 |
| Bank Balance other than above | 2 | - | 1.02 |
| Loans | 3 | 32,005.43 | 38,090.75 |
| Investments | 4 | 937.55 | 937.55 |
| Other Financial assets | 5 | 15.67 | 17.25 |
| **Total** | | **35,124.14** | **40,106.73** |
| **Non-financial Assets** | | | |
| Current tax assets (Net) | 6 | 674.01 | 1,244.25 |
| Deferred tax Assets (Net) | 7 | 8,175.33 | 7,920.44 |
| Property, Plant and Equipment | 8 | 11.15 | 13.53 |
| Other Intangible assets | 9 | 10.28 | 13.29 |
| Other non-financial assets | 10 | 57.36 | 62.22 |
| Assets held for sale | | 377.36 | - |
| **Total** | | **9,305.48** | **9,253.73** |
| **Total Assets** | | **44,429.62** | **49,360.45** |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Financial Liabilities** | | | |
| **Payables** | | | |
| **(I) Other Payables** | | | |
| (i) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 157.84 | 299.27 |
| Debt Securities | 11 | 15,760.56 | 15,747.80 |
| Borrowings (Other than Debt Securities) | 12 | 8,941.31 | 12,913.76 |
| Other financial liabilities | 13 | 6,369.23 | 6,546.89 |
| **Total** | | **31,228.93** | **35,507.72** |

| | | | |
|---|---|---|---|
| **Non-Financial Liabilities** | | | |
| Provisions | **14** | 480.43 | 588.24 |
| Other non-financial liabilities | **15** | 100.47 | 46.57 |
| **Total** | | **580.90** | **634.81** |
| **EQUITY** | | | |
| Equity Share capital | **16A** | 27,943.89 | 19,940.09 |
| Instruments Entirely Equity in Nature | **16B** | - | 7,503.80 |
| Other Equity | **16C** | (15,324.10) | (14,225.96) |
| **Total** | | **12,619.79** | **13,217.92** |
| **Total Liabilities and Equity** | | **44,429.62** | **49,360.45** |

**Summary of Significant Accounting Policies**

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached

**For SVP & Associates**

Chartered Accountants

Firm Registration No. 003838N

**(CA Vijay Kumar Chopra)**
Partner
Membership No. 054600

**(Bikash Kanti Roy)**
**Managing Director**
**DIN: 02171876**

**(Sachikanta Mishra)**
**Nominee Director**
**DIN: 02755068**

**Date: June 16, 2020**
**Place: New Delhi**

**(Manish Jain)**
**Chief Financial Officer**

**Mani Dev Sadh**
**(Company Secretary)**

**IFCI FACTORS LIMITED**
**CIN NO:-U74899DL1995GOI074649**
**10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019**

## STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2020

| Particulars | Note No. | Period Ended March 31, 2020 ₹ in Lakhs | Period Ended March 31, 2019 ₹ in Lakhs |
|---|---|---|---|
| **Revenue from operations** | | | |
| Interest Income | 17 | 957.86 | 1,285.46 |
| Discount and Service Charges | | 2,788.25 | 3,304.49 |
| Application and Administration Charges | | 72.36 | 138.92 |
| **Total Revenue from operations** | | **3,818.47** | **4,728.87** |
| **Other Income** | 18 | 390.65 | 350.90 |
| **Total Income** | | **4,209.12** | **5,079.77** |
| **Expenses** | | | |
| Finance Costs | 19 | 2,788.38 | 3,500.67 |
| Employee Benefits Expenses | 20 | 630.51 | 609.01 |
| Depreciation, amortization and impairment | 8 | 6.27 | 8.66 |
| Impairment on Financial Instruments | 21 | 995.75 | 794.60 |
| Others expenses | 22 | 569.29 | 551.55 |
| **Total Expenses** | | **4,990.20** | **5,464.50** |
| Profit / (loss) before exceptional items and tax (III-IV) | | -781.08 | -384.73 |
| Exceptional Items | | | - |
| **Profit/(loss) before tax** | | **-781.08** | **-384.73** |
| **Tax Expense:** | | | |
| (1) Current Tax | | | - |
| (2) Deferred Tax | | 242.69 | -1,622.51 |
| **Profit / (loss) for the period** | | **-538.39** | **-2,007.24** |
| **Other Comprehensive Income** | | | |
| Items that will not be reclassified to profit or loss | 23 | -46.94 | -2.65 |
| Income tax relating to items that will not be reclassified to profit or loss | | 12.21 | 0.31 |
| | | **-34.74** | **-2.33** |
| **Total Comprehensive Income for the period** | | **-573.13** | **-2,009.57** |
| **Earnings Per Equity Share** | | | |
| Basic (₹) | | (0.23) | (1.54) |
| Diluted (₹) | | (0.23) | (0.73) |

**Summary of Significant Accounting Policies**
The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached
**For SVP & Associates**
Chartered Accountants
Firm Registration No. 003838N

**(CA Vijay Kumar Chopra)**
Partner
Membership No. 054600

**Date: June 16, 2020**
**Place: New Delhi**

**(Bikash Kanti Roy)**
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**(Company Secretary)**

**IFCI FACTORS LIMITED**
**CIN NO:-U74899DL1995GOI074649**
**10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019**

## CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2020

| | Period Ended March 31, 2020 ₹ in Lakhs | Period Ended March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit Before Tax** | (781.08) | (384.73) |
| **Adjustments for:** | | |
| Depreciation/Amortisation | 6.27 | 8.66 |
| Bad Debts Written Off | 251.96 | 1,251.18 |
| Reversal of Provision for Doubtful Debts | (301.46) | (1,399.29) |
| Provision for Standard Assets | (89.05) | (16.45) |
| Allowance for Bad and Doubtful Debts and Loans | 1,134.31 | 959.16 |
| Stamp Duty for issue of shares | (25.00) | |
| Provision for Gratuity | (13.66) | 12.88 |
| Provision for Leave Encashment | 27.74 | 8.09 |
| (Income)/Loss From Mutual Fund | (6.84) | (72.54) |
| Non Cash adjustments | 15.94 | (5.64) |
| **Operating Profit Before Working Capital Changes** | **219.11** | **361.33** |
| **Movement in Working Capital** | | |
| Increase/(Decrease) in Borrowings | (3,963.01) | (8,365.04) |
| Increase/ (Decrease) in Trade Payables & Other Financial/Non-Financial liabilities | (344.47) | 426.60 |
| (Increase)/Decrease in Factoring | 5,128.74 | 3,767.02 |
| (Increase)/Decrease in Loans & Advances, Other Current & Non-Current Assets | 436.85 | 1,296.86 |
| **Net Cash Used in Operations** | **1,477.21** | **(2,513.22)** |
| Direct Tax Paid | - | - |
| **Net Cash Flow From Operating Activities** | **1,477.21** | **(2,513.22)** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Property Plant and Equipment / Capital Advance | (0.88) | (2.72) |
| Investment in Current and Non Current Investments | (377.36) | |
| Income From Mutual Fund | 6.84 | 72.54 |
| **Net Cash Flow From Investing Activities** | **(371.40)** | **69.82** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Subordinate Debts Raised | | |
| Dividend Paid | (0.49) | (0.53) |
| **Net Cash Flow From Financing Activities** | **(0.49)** | **(0.53)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **1,105.33** | **(2,443.93)** |
| Opening Cash and Cash Equivalents | 1,060.16 | 3,504.09 |
| **Closing Cash and Cash Equivalents** | **2,165.49** | **1,060.16** |

**Note:**

| **1 Components of Cash and Cash Equivalents:** | Period Ended March 31, 2020 ₹ in Lakhs | Period Ended March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Cash on Hand | 0.07 | 0.07 |
| Balances with Banks | 2,165.42 | 1,060.09 |
| | **2,165.49** | **1,060.16** |

As per our Audit Report of even date attached
**For SVP & Associates**
Chartered Accountants
Firm Registration No. 003838N

**(CA Vijay Kumar Chopra)**
Partner
Membership No. 054600

**Date: June 16, 2020**
**Place: New Delhi**

**(Bikash Kanti Roy)**
**Managing Director**
**DIN: 02171876**

**(Sachikanta Mishra)**
**Nominee Director**
**DIN: 02755068**

**(Manish Jain)**
**Chief Financial Officer**

**Mani Dev Sadh**
**(Company Secretary)**

## SIGNIFICANT ACCOUNTING POLICIES

**1 Background**

IFCI Factors Limited (IFL) a subsidiary of IFCI and registered as an NBFC-Factor with RBI, is engaged in the business of factoring and related products like Domestic Sales Bill Factoring, Purchase Bill Factoring, Export Bill Factoring, and Advances against Future Receivables. IFL, with a view to expand its product range and diversifying business risk, has also ventured into corporate loans backed by property and/ or pledge of shares.

**2 Basis of Preparation of Financial Statements**

The financial statements have been prepared in accordance with the Indian Accounting Standards ("Ind AS") on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below and the relevant provisions of The Companies Act, 2013 ("Act"). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in Ind AS 36.

**3 Functional and Presentation currency**

These financial statements are presented in Indian Rupees (INR), which is the Company's functional and presentation currency. All amounts have been denominated in crores and rounded off to the nearest two decimal, except when otherwise indicated.

**4 Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for the following material items:

- Financial assets at FVTOCI that is measured at fair value
- Financial instruments at FVTPL that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

**5 Use of judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities and assets) as on the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

**A. Judgements**

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.
- Impairment of financial assets: establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of expected credit loss ('ECL') and selection of models used to measure ECL
- Equity accounted investees: whether the Company has significant influence over an investee
- Leases: classification of leases into finance and operating lease

**B. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2020 is included in the following notes:

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward looking information
- determination of the fair value of financial instruments with significant unobservable inputs
- measurement of defined benefit obligations: key actuarial assumptions
- recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used
- determination of the estimated useful lives of tangible assets and the assessment as to which components of the cost may be capitalised
- estimates regarding the value in use of the cash generating unit (CGU) for non financial assets based on the future cash flows.; and
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

IFCI FACTORS LTD. NEW DELHI

**6 Significant accounting policies**

The Company has consistently applies the following accounting policies to all periods presented in these financial statements.

**a. Revenue recognition**

i. Interest income from financial assets is recognised on an accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset. The EIR is computed basis the expected cash flows by considering all the contractual terms of the financial instrument. The calculation includes all fees, transaction costs, and all other premiums or discounts paid or received between parties to the contract that are an integral part of the effective interest rate.

The interest revenue continues to be recognised at the original EIR applied on the gross carrying amount for financial assets (when the asset is not credit impaired). However, for the financial assets that have become credit impaired subsequent to the initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

ii. Penal interest and other overdue charges which are not included in effective interest rate is recognised on realisation, due to uncertainty of realisation and is accounted for accordingly.
iii. Amount received from borrowers against loans and advances are appropriated due date-wise towards other debits, interest overdue and principal overdue, in that order, across the due dates, except in the case of one time or negotiated settlements, where the appropriation is done as per the terms of the settlement.
iv. Recovery from bad debts written off is recognised as income on the basis of actual realisation from customers.
v. Premium on pre-payment of loans/ reduction in interest rates is recognised as income on receipt basis.
vi. Income from factoring and other financing activities is accounted on accrual basis except in the case of non-performing assets where income is accounted on realization basis as per prudential guidelines laid down by the RBI.

**b. Financial instruments**

**I. Classifications and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as subsequently measured at either amortised cost or fair value through other comprehensive income ('FVTOCI') or FVTPL, depending on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets.

**Business Model Assessment**

The Company makes an objective assessment of the business model in which an asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

• The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized;
The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

**Assessment whether contractual cash flows are solely payments of principal and interest**

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company applies judgement and considers all the contractual terms of the instrument. This includes assessing whether the financial asset contains any contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the said assessment, the Company considers prepayment and extension terms, features that modify consideration of the time value of money (e.g. periodical reset of the interest rates).

**Financial assets at Amortised Cost**

A financial asset is measured at amortised cost only if both of the following conditions are met:
• It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
• The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Subsequently, these are measured at amortised cost using the effective interest rate (EIR) method less any impairment losses.

IFCI FACTORS LTD. NEW DELHI

**Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')**

A financial asset is measured at FVTOCI only if both of the following conditions are met:
• It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
• The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Subsequently, these are measured at fair value and changes therein, are recognised in other comprehensive income. Impairment losses on said financial assets are recognised in other comprehensive income and do not reduce the carrying amount of the financial asset in the balance sheet

**Financial assets at Fair Value through Profit and Loss (FVTPL)**

Any financial instrument, which does not meet the criteria for categorisation as at amortised cost or as FVOCI, is classified as at FVTPL.

Subsequently, these are measured at fair value and changes therein, are recognised in profit and loss account.

**Investment in equity instruments**

All equity investments in scope of Ind AS 109 (i.e. other than equity investments in subsidiaries / associates / joint ventures) are measured at FVTPL.

Subsequently, these are measured at fair value and changes therein, are recognised in profit and loss account. However on initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

**Financial liabilities and equity instruments**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost, as appropriate and is accordingly accounted for.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

**III. Measurement Basis**

**Amortised cost**

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of discount or premium on acquisition and fees or costs that are an integral part of the EIR and, for financial assets, adjusted for any loss allowance.

**Fair Valuation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects it non-performance risk.
When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

IFCI FACTORS LTD. NEW DELHI

**IV. De-recognition/Modification of financial assets and financial liabilities**

Derecognition of financial assets and financial liabilities

**Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Company's balance sheet) when:
• The rights to receive cash flows from the asset have expired, or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. The Company also recognise a liability for the consideration received attributable to the Company's continuing involvement on the asset transferred. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

**Financial liabilities**

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

**Modifications of financial assets and financial liabilities**

**Financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the modification results in derecognition of the original financial asset and new financial asset is recognised at fair value.

If the cash flows of the modified asset are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset by recomputing the EIR rate on the instrument.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

**Financial liabilities**

The Company de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification is not accounted as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gainor loss is recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability by recomputing the EIR rate on the instrument.

**VI. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

IFCI FACTORS LTD. NEW DELHI

**VII. Impairment of Financial Assets**

The Company recognises impairment allowances for ECL on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive

With respect to trade receivables and other financial assets, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognised in OCI.

**Write-off**

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

However, financial assets that are written off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Investment in subsidiaries, associates and joint ventures**

The Company accounts for its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment, if any.

**Employee benefits**

**i. Short term employee benefits**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

IFCI FACTORS LTD. NEW DELHI

**ii. Post employement benefits**

**a. Defined benefit plans**

**Provident Fund**

The Company pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contributions to the fund for the year are recognized as expense and are charged to the profit or loss. The obligation of the Company is to make such fixed contributions and to ensure a minimum rate of return to the members as specified by the Government of India (GoI).

**Gratuity**

The Company has a defined benefit employee scheme in the form of Gratuity. Expense for the year is determined on the basis of actuarial valuation of the Company's year-end obligation in this regard and the value of year end assets of the scheme.

**iii. Other long term employee benefits**

Benefits under the Company's leave encashmenand and leave fare concession constitute other long term employee benefits. The Company's net obligation in respect of leave encashment is the amount of future benefit that employees have present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise. Provison for Leave fare concession is being made on actuarial valuation basis.

**) Income Taxes**

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of temporary differences between tax base and book base). It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

**I. Current tax**

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss.

Current tax assets and liabilities are offset only if, the Company:
a) has a legally enforceable right to set off the recognised amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**II. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company:
a) has a legally enforceable right to set off current tax assets against current tax liabilities; and
b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

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f) **Property, plant and equipment and Investment property**

**Recognition and measurement**

Property, plant and equipment held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

**Depreciation**

Depreciation is provided using the straight line method over the useful life as prescribed under Schedule II to the Companies Act, 2013. Depreciation is calculated on pro-rata basis, including the month of addition and excluding the month of sale/disposal. Leasehold improvements are amortised over the underlying lease term on a straight line basis.Residual value in respect of Buildings and Vehicles is considered as 5% of the cost and in case of other assets ' 'Nil'.
The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

**De-recognition**

An item of property, plant and equipment or investment property is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment or investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Transition to Ind AS**

The Company has elected to continue with the carrying value of all of its property, plant and equipment and investment property recognised as of April 1, 2017 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

g) **Intangible assets**

**Recognition and measurement**

Intangible assets are recognized at cost of acquisition which includes all expenditure that can be directly attributed or allocated on a reasonable and consistent basis, to create, produce or making the asset ready for its intended use.

**Amortisation**

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**De-recognition**

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is de-recognized.

**Transition to Ind AS**

The Company has elected to continue with the carrying value of all of its intangible asset recognised as of April 1, 2017 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

h) **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amount of its non financial assets (other than assets held for sale and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit and loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

i) **Foreign currency transactions**

The expenses and income in foreign exchange transactions are accounted for at the rates prevailing on the date of transactions/ at the forward rate, if booked, for such transaction.Assets and liabilities held in foreign currencies and accrued income and expenditure in foreign currencies are translated into Indian Rupees at the rates advised by Foreign Exchange Dealers Association of India (FEDAI) prevailing towards the close of the accounting period. Gains/ losses, if any, on valuation of various assets and liabilities are taken to Statement of Profit & Loss

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**j) Provisions and contingencies related to claims, litigation, etc.**

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability

**k) Contingent liabilities and contingent assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.

**l) Cash and cash equivalent**

Cash and cash equivalents include balance with banks in current accounts and term deposits, cash & cheques in hand and money lent on collateralized lending & borrowing obligations transactions.

**m) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**n) Derivative Financial Instruments**

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.
Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedging relationship and the nature of the hedged item.

**o) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. Refer note XX for details on segment information presented.

**p) Classification of Assets and Provisioning**

i) All credit exposures are classified into performing and non-performing assets (NPAs) as per guidelines laid down by the RBI. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.
ii) Provision for NPAs and restructured/rescheduled assets is made as per guidelines laid down by the RBI.
iii) Provision for standard assets is made @ 0.50%.
Additional provision is made against specific assets over and above what is stated above, if in the opinion of the management, increased provision is necessary.
iv) As per RBI rules and regulation at the time of becoming NPA 10% provision is to be made but as per IFL policy 15% provision is made.
v) IFL have provisioning and write off policy which was approved on dated 29/04/2013 aligned as per RBI policy. According to that in case of unsecured loan we have to make 15% provision on the date of accounts being classified as sub-standard and after 12 month we have to make 50% provision and after 18 month we have to make provision 100% (after classification account as a doubtful).
From April 2017 onwards RBI policy has become more stringent. As per RBI policy on the date of account classification as sub-standard we have to make provision 10% and after 12 month we have to make provision 100% (after classification account as a doubtful). So we are following RBI policy as our policy has become outdated.

**q) Factored Debts**

Debts factored are shown under 'Loans'. The unpaid balance of debts factored and due to the clients on collection is included under 'Other Financial Liabilities' as 'Contractual Liability against Collection of Factoring'.

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**r) IND AS 116 Leases**

The Company assesses whether a contract contains a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company considers whether (i) the contract involves the use of identified assets (ii) the Company has substantially all of the economic benefits from the use of the asset through the period of lease and (iii) the Company has right to direct the use of the asset.

**As a lessee**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right–of–use asset has been reduced to zero.

Lease Liability and the right of use asset have been adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received. Certain lease arrangements include the option to extend or terminate the lease before the end of the lease term. The right-of-use assets and lease liabilities include these options when it is reasonably certain that the option will be exercised.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right- of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re- measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Genera¦¦y, the Company uses its incrementa¦ borrowing rate as the discount rate.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incrementa¦ borrowing rate as the discount rate.

**As a lessor**

Leases for which the Company is a ¦essor is c¦assified as finance or operating ¦eases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the ¦essee, the contract is c¦assified as a finance ¦ease. A¦¦ other ¦eases are c¦assified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub¦ease separate¦y. The sublease is classified as a finance or operating ¦ease by reference to the right of use asset arising from the head lease.

**Critical accounting estimate and judgement**

**1. Determination of lease term**

Ind AS 116 Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant ¦easeho¦d improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

**2. Discount rate**

The discount rate is generally based on the incrementa¦ borrowing rate specific to the ¦ease being evaluated or for a portfolio of leases with similar characteristics.

Changes in accounting policies / Transition note:

On March 30, 2019, the Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2019 and the Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing ¦ease standard, Ind AS 17 Leases and other interpretations.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Effective from 1 April 2019 ('the date of transition'), the Company applied Ind AS 116 using the modified retrospective approach, wherein Right– of–use ('ROU') asset is recognised at an amount equal to the lease liability. Accordingly, the comparative information is not restated – i.e. it is presented, as previously reported, under Ind AS 17. Additionally, the disclosure requirements in Ind AS 116 have not generally been applied to comparative information.

IFCI FACTORS LIMITED
CIN NO:-U74899DL1995GOI074649
10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019

Statement of Changes in Equity

A. Equity Share Capital

(₹ in Lakhs)

| Balance at the 01.04.2018 | Changes in equity share capital during the year | Balance at the 31.03.2019 | Changes in equity share capital during the year | Balance at the 31.03.2020 |
|---|---|---|---|---|
| 7,935.77 | 12,004.32 | 19,940.09 | 8,003.80 | 27,943.89 |

B. Instruments entirely equity in nature
Compulsarily Convertible Preference Shares

| Balance at the 01.04.2018 | Changes during the year | Balance at the 31.03.2019 | Changes during the year | Balance at the 31.03.2020 |
|---|---|---|---|---|
| 17,508.12 | (10,004.32) | 7,503.80 | (7,503.80) | - |

C. Other Equity

(₹ in Lakhs)

| Particulars | Equity component of Financial Instruments | | Reserves and Surplus | | | | | Other Comprehensive Income | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Perpetual Non-Convertible Debentures | Optionally Convertible Debentures | Impairment Reserve | Statutory Reserves | General Reserve | Securities Premium Reserve | Retained Earnings | Equity Instruments through Other Comprehensive | Remeasurement of Defined Benefit Plans | |
| April 01, 2018 | 2,500.00 | - | - | 1,755.73 | 31.65 | 1,008.20 | (15,253.11) | (253.55) | (5.31) | (10,216.39) |
| Total Comprehensive Income for the year | - | - | - | - | - | - | (2,007.24) | - | (2.33) | (2,009.57) |
| Conversion from NCD to OCD | (2,500.00) | 2,500.00 | - | - | - | - | - | - | - | - |
| Conversion in Equity Shares | | (2,000.00) | - | | | | | | | (2,000.00) |
| March 31, 2019 | - | 500.00 | - | 1,755.73 | 31.65 | 1,008.20 | (17,260.35) | (253.55) | (7.65) | (14,225.96) |
| Total Comprehensive Income for the year | - | - | - | - | - | - | (538.39) | - | (34.74) | (573.13) |
| Transfer from retained earnings | | | 8,857.89 | | | | (8,857.89) | | | - |
| Share Issue Expenses | - | - | - | - | - | - | (25.00) | - | - | (25.00) |
| Conversion in Equity Shares | | (500.00) | - | - | - | - | - | - | - | (500.00) |
| March 31, 2020 | - | - | 8,857.89 | 1,755.73 | 31.65 | 1,008.20 | (26,681.64) | (253.55) | (42.39) | (15,324.10) |

Summary of Significant Accounting Policies
The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached
For SVP & Associates
Chartered Accountants
Firm Registration No. 003838N

(CA Vijay Kumar Chopra)
Partner
Membership No. 054600

Date: June 16, 2020
Place: New Delhi

For and on behalf of Board of Directors

(Bikash Kanti Roy)
Managing Director
DIN: 02171876

(Sachikanta Mishra)
Nominee Director
DIN: 02755068

(Manish Jain)
Chief Financial Officer

Mani Dev Sadh
(Company Secretary)

IFCI FACTORS LIMITED
CIN NO:-U74899DL1995GOI074649
10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **1. Cash and cash equivalents** | | |
| Cash on hand | 0.07 | 0.07 |
| Balances with Banks | 2,165.42 | 1,060.09 |
| | **2,165.49** | **1,060.16** |
| **2. Bank Balance other than above** | | |
| Earmarked balances for Unpaid Dividend | - | 1.02 |
| | - | **1.02** |

**3. Loans**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **At Amortised Cost** | | |
| **(A) Product Type** | | |
| **Term Loans** | 13,056.09 | 12,927.86 |
| **Factoring** | 50,173.51 | 55,554.21 |
| **Total - Gross** | **63,229.60** | **68,482.07** |
| Less: Impairment loss allowance | -31,224.17 | -30,391.32 |
| **Total Net** | **32,005.43** | **38,090.75** |
| **(B) Secured/Unsecured** | | |
| (i) Secured by assets | 10,665.34 | 11,597.49 |
| (ii) Secured by intangible assets | | |
| (ii) Covered by Bank/Government Guarantees | 6,958.66 | 4,391.07 |
| (iii) Unsecured | 45,605.60 | 52,493.51 |
| **Total (B)-Gross** | **63,229.60** | **68,482.07** |
| Less: Impairment loss allowance | -31,224.17 | -30,391.32 |
| **Total (B) Net** | **32,005.43** | **38,090.75** |
| **(C) Loans in India** | | |
| (i) Public Sector | - | - |
| (i) Others | 63,229.60 | 68,482.07 |
| **Total (C)- Gross** | **63,229.60** | **68,482.07** |
| Less: Impairment loss allowance | -31,224.17 | -30,391.32 |
| **Total (C) Net** | **32,005.43** | **38,090.75** |

IFCI FACTORS LTD. NEW DELHI

**4. Investment**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Fair Value through Profit and Loss** | | |
| Mutual funds | | |
| **Fair Value through Other Comprehensive Income** | | |
| **Equity Instruments** | | |
| **- J M Financial Asset Reconstruction Company Pvt. Ltd.** | | |
| 26,605 Security Receipts of Rs. 1000 each fully paid up (Backed by NPA sold by the Company) | 266.05 | 266.05 |
| **- Raytheon Assets Reconstruction Pvt. Ltd.** | | |
| 67150 Security Receipts of Rs. 1000 each fully paid up (Backed by NPA sold by the Company) | 671.50 | 671.50 |
| **- Net 4 India Limited** | | |
| 3,232,874 Equity Shares of Rs. 10 each fully paid up | - | - |
| **- KEW Industries Limited** | | |
| 2,931,558 Equity Shares of Rs. 10 each fully paid up | - | 0.00 |
| **Total – Gross (A)** | **937.55** | **937.55** |
| (i) Overseas Investments | - | - |
| (i) Investments in India | 937.55 | 937.55 |
| **Total (B)** | **937.55** | **937.55** |
| **Less: Allowance for Impairment loss (C)** | - | - |
| **Total – Net D= (A)-(C)** | **937.55** | **937.55** |

**5. Other Financial Assets**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Advance to Employess | 13.94 | 15.52 |
| Security Deposits | 1.08 | 1.08 |
| Others | 0.66 | 0.66 |
| | **15.67** | **17.25** |

**6. Current Tax Assets (Net)**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Advance Income Tax (including earlier years) (Net of Provisions) | 674.01 | 1,244.25 |
| | **674.01** | **1,244.25** |

**7. Deferred Tax Assets (net)**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Deferred Tax Assets | 8,171.45 | 7,922.76 |
| Less:- Deferred Tax Liabilities | -3.88 | 2.33 |
| | **8,175.33** | **7,920.44** |

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**8. Property Plant & Equipment**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Gross Carrying Value** | | |
| **Opening Balance** | | |
| a Furniture and Fixtures | 9.17 | 9.17 |
| b Office Equipment | 4.24 | 4.24 |
| c Computer Hardware | 109.23 | 108.97 |
| | **122.64** | **122.38** |
| **Addition/(Sale) during the period** | | |
| a Furniture and Fixtures | - | - |
| b Office Equipment | 0.46 | - |
| c Computer Hardware | 0.42 | 0.26 |
| | **0.88** | **0.26** |
| **Closing Balance** | | |
| a Furniture and Fixtures | 9.17 | 9.17 |
| b Office Equipment | 4.70 | 4.24 |
| c Computer Hardware | 109.65 | 109.23 |
| | **123.52** | **122.64** |
| **Accumulated Depreciation** | | |
| **Opening Balance** | | |
| a Furniture and Fixtures | 5.16 | 4.24 |
| b Office Equipment | 2.84 | 2.55 |
| c Computer Hardware | 101.11 | 98.64 |
| | **109.11** | **105.43** |
| **Depreciation for the period** | | |
| a Furniture and Fixtures | 0.86 | 0.92 |
| b Office Equipment | 0.28 | 0.29 |
| c Computer Hardware | 2.12 | 2.47 |
| | **3.26** | **3.68** |
| **Closing Balance of Accumulated Depreciation** | | |
| a Furniture and Fixtures | 6.02 | 5.16 |
| b Office Equipment | 3.12 | 2.84 |
| c Computer Hardware | 103.23 | 101.11 |
| | **112.37** | **109.11** |
| **Net Block** | | |
| a Furniture and Fixtures | 3.15 | 4.01 |
| b Office Equipment | 1.58 | 1.40 |
| c Computer Hardware | 6.42 | 8.12 |
| | **11.15** | **13.53** |

IFCI FACTORS LTD. * NEW DELHI *

**9. Other Intangible Assets**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Gross Carrying Value** | | |
| **Opening Balance** | | |
| a Computer Software | 86.06 | 83.61 |
| | **86.06** | **83.61** |
| **Addition/(Sale) during the period** | | |
| a Computer Software | - | 2.45 |
| | **-** | **2.45** |
| **Closing Balance** | | |
| a Computer Software | 86.06 | 86.06 |
| | **86.06** | **86.06** |
| **Accumulated Depreciation** | | |
| **Opening Balance** | | |
| a Computer Software | 72.77 | 67.79 |
| | **72.77** | **67.79** |
| **Depreciation for the period** | | |
| a Computer Software | 3.01 | 4.98 |
| | **3.01** | **4.98** |
| **Closing Balance of Accumulated Depreciation** | | |
| a Computer Software | 75.78 | 72.77 |
| | **75.78** | **72.77** |
| **Net Block** | | |
| a Computer Software | 10.28 | 13.29 |
| | **10.28** | **13.29** |

**10. Other Non-Financial Assets**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Advance recoverable in cash or in kind | 16.30 | 17.03 |
| Indirect Taxes Recoverable | 22.95 | 29.91 |
| Prepaid expenses | 18.11 | 15.28 |
| | **57.36** | **62.22** |

**11. Debt Securities**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **At Amortised Cost** | | |
| **Secured#** | | |
| Redeemable, Non-Convertible Bonds | 5,779.88 | 5,784.83 |
| **Unsecured** | | |
| Redeemable, Non-Convertible Bonds | 9,980.68 | 9,962.97 |
| **Total (A)** | **15,760.56** | **15,747.80** |
| Debt securities in India | 15,760.56 | 15,747.80 |
| Debt securities outside India | | |
| **Total (B) to tally with (A)** | **15,760.56** | **15,747.80** |

**# Secured by pari passu charge on corporate loan receivables & current assets other than factored receivables.**

**12. Borrowings (Other than Debt Securities)**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **At Amortised Cost** | | |
| **Secured** | | |
| **From banks** | | |
| - Working Capital Demand Loan- From Banks* | 5,973.07 | 10,000.00 |
| - Cash Credit - From Banks* | 2,903.66 | 2,014.51 |
| - Term loans | 64.58 | 899.26 |
| **Total (A)** | **8,941.31** | **12,913.76** |
| Borrowings in India | 8,941.31 | 12,913.76 |
| Borrowings outside India | | |
| **Total (B) to tally with (A)** | **8,941.31** | **12,913.76** |

*** Credit facilities are secured by pari passu charge on factored receivables by way of hypothecation.**

**13. Other Financial Liabilities**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Contractual liability against Factoring | 5,037.88 | 5,193.13 |
| Interest accrued and not due on borrowing | 1,331.35 | 1,353.27 |
| Unpaid dividend | - | 0.49 |
| | **6,369.23** | **6,546.89** |

**14. Provisions**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Provision for employee benefits** | | |
| - Gratuity | 104.62 | 71.34 |
| - Leave Encashment | 97.43 | 69.69 |
| Contingent Provisions against Standard Assets | 278.39 | 447.21 |
| | **480.43** | **588.24** |

**15. Other Non-financial liabilities**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| Sundry Liabilities Account (Interest Capitalisation) | 79.77 | - |
| TDS Payble | 2.25 | 12.26 |
| GST Payable | 13.44 | 29.70 |
| Other Taxes | 5.02 | 4.61 |
| | **100.47** | **46.57** |

SVP & ASSOCIATES Chartered Accountants

**IFCI FACTORS LIMITED**
**CIN NO:-U74899DL1995GOI074649**
**10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019**

**NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Note No 16A** | | |
| **I. Equity Share Capital** | | |
| **a. Authorised Share Capital** | | |
| 300,000,000 (200,000,000) Equity Shares of Rs.10 each | 30,000.00 | 20,000.00 |
| 200,000,000 Preference Shares of Rs.10 each (Previous Year 200,000,000 Preference Shares of Rs. 10 each) | 20,000.00 | 20,000.00 |
| | **50,000.00** | **40,000.00** |
| **b. Issued Share Capital** | | |
| 19,94,00,860 (79,357,700) Equity Shares of Rs.10 each fully paid up | 19,940.09 | 7,935.77 |
| Addition/Conversion during the year:- 80,038,000 (120,043,160) Equity Shares of Rs. 10 each fully paid up | 8,003.80 | 12,004.32 |
| **279,438,860 (199,400,860) Equity Shares of Rs.10 each fully paid up** | **27,943.89** | **19,940.09** |
| **c. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year** | | |
| **Equity Shares** | | |
| At the beginning of the year | 19,940.09 | 7,935.77 |
| Converted from CCPS and OCD's during the year | 8,003.80 | 12,004.32 |
| **Outstanding at the end of the year** | **27,943.89** | **19,940.09** |
| **d. Details of shareholders holding more than 5% shares in the company** | | |
| Equity shares of Re 10 each fully paid | | |
| **Name of Shareholder** | | |
| IFCI Limited | 99.90% | 99.88% |
| **e. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates** | | |
| Out of equity shares issued by the company, shares held by its Holding company are stated below: | | |
| IFCI Limited | 279,154,692 | 199,154,692 |

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**NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020**

| Particulars | As at March 31, 2020 ₹ in Lakhs | As at March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Note No 16A** | | |
| **Note No 16B** | | |
| **II. Instruments entirely Equity in Nature** | | |
| **Compulsarily Convertible Preference Shares** | | |
| Opening Balance | 7,503.80 | 17,508.12 |
| Less: Converted into Equity Shares | (7,503.80) | (10,004.32) |
| Closing Balance | - | **7,503.80** |
| **Note No 16C** | | |
| **III. Other Equity** | | |
| **a. Equity Component of Financial Instruments** | | |
| **Perpetual Non-Convertible Debentures** | | |
| Opening Balance | - | 2,500.00 |
| Less: Converted into OCD's | - | -2,500.00 |
| Closing Balance | - | - |
| **Optionally Convertible Debentures** | | |
| Opening Balance | 500.00 | - |
| Add:- Converted from NCD to OCD | - | 2,500.00 |
| Less: Converted into Equity Shares | -500.00 | -2,000.00 |
| Closing Balance | - | **500.00** |
| **b. Security Premium** | | |
| Opening Balance | 1,008.20 | 1,008.20 |
| Add/Less during the year | | - |
| Closing Balance | **1,008.20** | **1,008.20** |
| **c. Statutory Reserve Fund** | | |
| **(under section 45 IC of Reserve Bank of India Act)** | | |
| Opening Balance | 1,755.73 | 1,755.73 |
| Add: Transfer from Surplus Balance in Statement of Profit and Loss | - | - |
| Closing Balance | **1,755.73** | **1,755.73** |
| **d. General Reserve** | | |
| Opening Balance | 31.65 | 31.65 |
| Less: Transfer to Statement of Profit and Loss | - | - |
| Closing Balance | **31.65** | **31.65** |
| **e. Impairment Reserve** | | |
| Opening Balance | - | - |
| Add: Transfer from Retained Earnings | 8,857.89 | - |
| Closing Balance | **8,857.89** | - |

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**IFCI FACTORS LIMITED**
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**10th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019**

**NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020**

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Note No 16A** | **₹ in Lakhs** | **₹ in Lakhs** |
| **f. Retained Earnings** | | |
| Opening Balance | (17,260.35) | (15,253.11) |
| Add: Profit / (Loss) for the period | (538.39) | (2,007.24) |
| Less:- Share Issue Expenses | (25.00) | - |
| Less: Appropriations | | |
| Transfer to Impairment Reserves | (8,857.89) | - |
| **Closing Balance** | **(26,681.64)** | **(17,260.35)** |
| | | |
| **f. Other Comprehensive Income** | | |
| | | |
| **I. Equity Instruments through Other Comprehensive Income** | | |
| Opening Balance | -253.55 | -253.55 |
| Add: Other Comprehensive income for the year | - | - |
| Closing Balance | -253.55 | -253.55 |
| | | |
| **II. Remeasurement of Defined Benefit Plans** | | |
| Opening Balance | -7.65 | -5.31 |
| Add: Other Comprehensive income for the year | -34.74 | -2.33 |
| Closing Balance | -42.39 | -7.65 |
| | | |
| **Total Comprehensive Income** | **-295.94** | **-261.20** |
| | | |
| **Total Other Equity** | **-15,324.10** | **-14,225.96** |

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**NOTES TO THE PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2020**

**17. Interest Income**

| Particulars | Period Ended March 31, 2020 ₹ in Lakhs | Period Ended March 31, 2019 ₹ in Lakhs |
|---|---|---|
| **Financial assets measured at Amortised Cost** | | |
| Interest on Loans | 957.86 | 1,285.46 |
| **Total** | **957.86** | **1,285.46** |

**18. Other Income**

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| Factoring Bad Debts Recovered | 268.10 | 277.68 |
| Income from Mutual Funds | 6.84 | 72.54 |
| Miscellaneous Income | 115.70 | 0.68 |
| **Total** | **390.65** | **350.90** |

**19. Finance Costs**

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| **Financial liabilities measured at Amortised Cost** | | |
| Interest on Borrowings | 2,731.19 | 3,391.54 |
| Other Borrowing Costs | 57.19 | 109.13 |
| **Total** | **2,788.38** | **3,500.67** |

**20. Employee Benefits Expenses**

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| Salaries and wages | 578.50 | 561.42 |
| Contribution to provident and other funds | 30.85 | 27.32 |
| Staff welfare expenses | 21.16 | 20.26 |
| **Total** | **630.51** | **609.01** |

**21. Impairment on Financial Instruments**

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| Bad Debts Written Off | 251.96 | 1,251.18 |
| Provision for Bad and Doubtful Debts Written Back | (301.46) | (1,399.29) |
| Standard Assets | (89.05) | (16.45) |
| Bad and Doubtful Debts and Loans | 1,134.31 | 959.16 |
| **Total** | **995.75** | **794.60** |

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## NOTES TO THE PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2020

### 22. Other Expenses

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| | ₹ in Lakhs | ₹ in Lakhs |
| Rent, Rates and Taxes | 340.65 | 317.28 |
| Repairs and maintenance | 39.95 | 24.54 |
| Printing and stationery | 8.33 | 10.10 |
| Postage, Telephone and Fax | 11.05 | 14.23 |
| Travelling & Conveyance | 25.27 | 22.35 |
| Conferences & Seminar | 0.71 | 1.17 |
| Legal and Professional charges | 99.41 | 104.45 |
| Business Promotion | 7.24 | 10.58 |
| Import Factor Commission | 3.35 | 19.78 |
| Miscellaneous Expenses | 33.35 | 27.06 |
| **Total** | **569.29** | **551.55** |

### 23. Items that will not be reclassified to profit or loss

| Particulars | Period Ended March 31, 2020 | Period Ended March 31, 2019 |
|---|---|---|
| Remeasurements of the defined benefit plans | (46.94) | (2.65) |
| **Total** | **(46.94)** | **(2.65)** |

IFCI FACTORS LTD. * NEW DELHI *

**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts are in INR Lakhs unless otherwise stated)

| | | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|---|
| 24 | **Payment to Auditors** | | |
| | Audit Fees | 10.75 | 7.00 |
| | Certification and other services | | |
| | Reimbursement of Expenses | 0.81 | 0.62 |
| | **Total** | **11.56** | **7.62** |
| 25 | **Details of corporate social responsibility expenditure** | | |
| | **a) Gross amount required to be spent by the company for respective financial year** | | |
| | **b) Construction/acquisition of any assets** | | |
| | **c) Yet to be paid in cash** | | |
| | **d) Amount spent during the period -** | | |
| | - Development of Human Capital | | |
| | - Development of Rural areas & sustainable development actvities | | |
| | - Promotion of sports | | |
| | - Other welfare activities | | |
| | - Corpus to the IFCI Social Foundation | - | - |
| | - Admin & other expenses | | |
| | **Total** | - | - |

| | | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|---|
| 26 | **Contingent liabilities and commitments (to the extent not provided for)** | | |
| | **A. Contingent Liabilities** | | |
| | (i) Claims not acknowledged as debts | | |
| | (ii) Bank Guarantees Provided | - | - |
| | (iii) Guarantee/Letter of comfort Issued on behalf of third parties | - | - |
| | (iv) Guarantee/Letter of comfort Issued on behalf of subsdiaries companies | - | - |
| | (v) **Tax Matters :** | - | - |
| | Income Tax | 21.20 | 21.20 |
| | Service tax | - | - |
| | | - | - |
| | **Total** | **21.20** | **21.20** |
| | **B. Commitments** | | |
| | (i) Estimated amount of contract (including lease contract) remaining to be executed on capital account (net of advances) | NIL | NIL |
| | (ii) Undrawn Commitments | 210.03 | 84.82 |
| | **Total** | **210.03** | **84.82** |
| 27 | **Expenditure in Foreign Currencies:** | | |
| | Membership Fee and Subscription Fee | 6.70 | 6.37 |
| | Import Factor Commission | 3.35 | 19.78 |
| | Others | - | - |
| | **Total** | **10.05** | **26.15** |

28 **Earnings in Foreign Currency:**

| | | |
|---|---|---|
| Earnings in Foreign Currency | Nil | Nil |

29 Arrear of Dividend on Compulsorily Convertible Cumulative Preference Shares is INR 6103.28 lakhs (2019: INR 5,700 lakhs) which has not been provided for as per sanction terms & conditions.

**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts are in INR Lakhs unless otherwise stated)

**30 Employee benefits**
The Company operates the following post-employment plans -

**i. Defined contribution plan**
The Company makes monthly contribution towards pension which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as expense towards such contribution are as follows:

| | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| Provident Fund and Family Pension Schemes | 27.32 | 26.21 |

**ii. Defined Benefit plan**

**A. Gratuity**
The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. This plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months (Maximum Limit – Rs. 20,00,000/-), based on the rate of wages last drawn by the employee concerned. . This defined benefit plan expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2019. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Net defined benefit liability | 104.62 | 71.34 |

**(b) Reconciliation of the net defined benefit (asset) / liability**
The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| | As at 31 March 2020 | | | As at 31 March 2019 | | |
|---|---|---|---|---|---|---|
| | **Defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit (asset)/ liability** | **Defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit (asset)/ liability** |
| Balance at the beginning of the year | 71.34 | | 71.34 | 55.81 | | 55.81 |
| **Included in profit or loss** | | | - | | | - |
| Current service cost | 11.03 | | 11.03 | 8.57 | | 8.57 |
| Past service cost including curtailment Gains/Losses | | | - | | | - |
| Interest cost (income) | 5.46 | | 5.46 | 4.30 | | 4.30 |
| | **16.48** | - | **16.48** | **12.88** | - | **12.88** |
| **Included in Other comprehensive income** | | | | | | |
| Remeasurements loss (gain) | | | | | | |
| – Actuarial loss (gain) arising from: | | | | | | |
| - demographic assumptions | (0.05) | | (0.05) | | | - |
| - financial assumptions | 9.33 | | 9.33 | 0.49 | | 0.49 |
| - experience adjustment | 13.01 | | 13.01 | 2.16 | | |
| – on plan assets | | | - | | | |
| | **22.29** | - | **22.29** | **2.65** | - | **0.49** |
| **Other** | | | | | | |
| Contributions paid by the employer | | | - | | | |
| Benefits paid | (5.50) | | (5.50) | - | | - |
| | **(5.50)** | - | **(5.50)** | - | - | - |
| **Balance at the end of the year** | **104.62** | - | **104.62** | **71.34** | - | **69.18** |

**(c) Plan assets**

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Investment | NIL | NIL |

**(d) Actuarial assumptions**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Discount rate | 6.80% | 7.65% |
| Future salary growth | 6.00% | 6.00% |
| Withdrawal rate: | | |
| Up to 30 years | 3.00% | 3.00% |
| From 31 to 44 years | 2.00% | 2.00% |
| Above 44 years | 1.00% | 1.00% |
| Retirement Age (in year) | 60 | 60 |
| Expected rate of return on plan assets | 0.00% | 0.00% |
| Mortality | IALM (2012-2014) | IALM (2006-2008) |

**(e) Sensitivity analysis of significant assumptions**
The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

| | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (0.50% movement) | (5.65) | 6.16 | (3.89) | 4.25 |
| Future salary growth (0.50% movement) | 6.18 | (5.72) | 4.29 | (3.97) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.
Sensitivities due to mortality & withdrawals are not material & hence impact of change due to these not calculated.

**(f) Expected maturity analysis of the defined benefit plans in future years**

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| 1 year | 2.18 | 1.50 |
| Between 2-5 years | 23.11 | 15.50 |
| Between 5-6 years | 7.32 | 1.06 |
| Over 6 years | 72.00 | 53.29 |
| **Total** | 104.62 | 71.34 |

**(g) Discreption of risk exposures**
Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

**Salary Increases :** Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.

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**IFCI FACTORS LIMITED**
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**Investment Risk :** If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.

**Discount Rate :** Reduction in discount rate in subsequent valuations can increase the plan's liability.

**Mortality & disability :** Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

**Withdrawals :** Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

**B. Earned Leave Liability and Sick Leave Liability**
Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Net defined benefit liability | 97.43 | 69.69 |

**(a) Funding**
The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below. Employees do not contribute to the plan.

**(b) Reconciliation of the net defined benefit (asset) / liability**
The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| | As at 31 March 2020 | | | As at 31 March 2019 | | |
|---|---|---|---|---|---|---|
| | **Defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit (asset)/ liability** | **Defined benefit obligation** | **Fair value of plan assets** | **Net defined benefit (asset)/ liability** |
| Balance at the beginning of the year | 69.69 | - | 69.69 | 61.60 | | 61.60 |
| **Included in profit or loss** | | | | | | |
| Current service cost | 10.81 | | 10.81 | 8.75 | | 8.75 |
| Past service cost including curtailment Gains/Losses | | | | | | - |
| Interest cost | 5.33 | | 5.33 | 4.75 | | 4.75 |
| | **16.14** | - | **16.14** | **13.50** | - | **13.50** |
| **Included in Other comprehensive income** | | | | | | |
| Remeasurements loss (gain) | | | | | | |
| – Actuarial loss (gain) arising from: | | | | | | |
| - demographic assumptions | (0.05) | | (0.05) | | | - |
| - financial assumptions | 8.73 | | 8.73 | 8.35 | | 8.35 |
| - experience adjustment | 15.96 | | 15.96 | | | - |
| – on plan assets | | | - | | | - |
| | **24.65** | - | **24.65** | **8.35** | - | **8.35** |
| **Other** | | | | | | |
| Contributions paid by the employer | | | - | | | - |
| Benefits paid | (13.05) | | (13.05) | (13.76) | | (13.76) |
| | **(13.05)** | - | **(13.05)** | **(13.76)** | - | **(13.76)** |
| **Balance at the end of the year** | **97.43** | - | **97.43** | 69.69 | - | 69.69 |

**(c) Plan assets**
There were no plan assets with the Company w.r.t said post retirement medical benfit plan

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to a restricted fund in order to manage the liability risk.

IFCI FACTORS LTD. ★ NEW DELHI ★

SVP & ASSOCIATES Chartered Accountants

**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts are in INR Lakhs unless otherwise stated)

(d) **Actuarial assumptions**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Discount rate | 6.80% | 7.65% |
| Future medical cost increase | 6.00% | 6.00% |
| Withdrawal rate: | | |
| Up to 30 years | 3.00% | 3.00% |
| From 31 to 44 years | 2.00% | 2.00% |
| Above 44 years | 1.00% | 1.00% |
| Retirement Age (in year) | 60 | 60 |
| Expected rate of return on plan assets | 0.00% | 0.00% |
| Mortality | 100 % of IALM (2012 - 14) | IALM (2006-2008) |

(e) **Sensitivity analysis of significant assumptions**
The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

| | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.50% movement) | (5.29) | 5.75 | (3.12) | 3.39 |
| Future salary growth (0.50% movement) | 5.77 | (5.32) | 3.43 | (3.18) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.
Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement & life expectancy are not applicable.

(f) **Expected maturity analysis of the defined benefit plans in future years**

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| 1 year | 1.91 | 1.61 |
| Between 2-5 years | 24.34 | 18.66 |
| Between 5-6 years | 2.73 | 0.86 |
| Over 6 years | 68.45 | 48.56 |
| **Total** | 97.43 | 69.69 |

(g) **Discreption of risk exposures**
Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

**Medical Cost Increase** - increase in actual medical cost per retiree will increase the Plan's liability. Increase in medical Cost per Retiree rate assumption will also increase the liability.

**Investment Risk** : If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.

**Discount Rate** : Reduction in discount rate in subsequent valuations can increase the plan's liability.

**Mortality & disability** : Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

**Withdrawals** : Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.


**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts are in INR Lakhs unless otherwise stated)

**31 Related party disclosure**

**i. Name of the related party and nature of relationship:-**

| A. Nature of Relationship | Name of the Related Party |
|---|---|
| Holding | IFCI Limited |
| Subsidiaries | IFCI Infrastructure Development Limited<br>IFCI Financial Service Limited<br>IFCI Venture Capital Funds Limited<br>MPCON Limited<br>Stock Holding Corporation of India Limited<br>IFCI Commodity Limited<br>IFIN Credit Limited<br>IIDL Realtors Private Limited<br>IFIN Securities Finance Limited |
| Associates | Assets Care & Reconstruction Enterprise Limited<br>Himachal Consultancy Organisation Limited<br>North India Technical Consultancy Organisation Limited<br>HARDICON Limited |
| Joint venture | Rajasthan Consultancy Organisation Limited<br>IFCI Sycamore Capital Advisors Private Limited |
| Key Managerial Personnel | Mr. Bikash Kanti Roy (Managing Director)<br>Mr. Mani Dev Sadh (Company Secretary)<br>Mr. Manish Jain (Chief Financial Officer) |

**ii. Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:-**

| | Name of related party | | Nature of transaction | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|---|---|---|
| A. | **Holding:** | | | | |
| | IFCI Limited | (i) | Rent Paid | 296.42 | 284.68 |
| | | (ii) | Loan Repayment/Conversion | 500.00 | 2,000.00 |
| | | (iii) | Loan - Outstanding | - | 500.00 |
| | | (iv) | Interest Paid | - | - |
| | | (v) | **Reimbursement of Expenses** | | |
| | | | - Managerial Remuneration | 53.69 | 48.72 |
| | | | - Others | 12.45 | 9.94 |
| | | | - Commission against Letter of comfort to Banks | - | 25.30 |
| B. | **Subsidiaries:** | | | | |
| | IFCI Venture Capital Fund Ltd. | (i) | Loan Given | - | - |
| | | (ii) | Interest paid | - | - |
| | IFCI Financial Services Limited | (i) | Reimbursement of Expenses | - | - |
| C. | **Associates:** | | | | |
| | NITCON Limited | (i) | Reimbursement of Expenses | - | - |
| D. | **Trust incorporated for CSR activity:** | | | | |
| | IFCI Social Foundation Trust | (i) | Contribution for CSR activities | | |
| | | (ii) | Salaries/ Other Estt. Exp. recovered/ recoverable for employees deputed by IFCI | | |
| E. | **Key Managerial Personnel : Managerial renumeration** | | | | |
| | Mr. Samir Raheja<br>Mr. Manish Jain | | | | |
| (a) | **Compensation of key managerial personnel** | | | | |
| | Short-term employee benefits | | Manish Jain | 20.04 | 17.37 |
| | **Total** | | | 20.04 | 17.37 |

**Terms and conditions**
All transactions with these related parties are priced on an arm's length basis.

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**32 Leases**

**A. Lease as lessee**

The Company has entered into operating lease agreement at one center. The leases typically run for a period of 11 months, with an option to renew the lease after that period. Lease payments are renegotiated on regular intervals to reflect market rentals.

| | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| **i. Future minimum lease payments** | | |
| At year end, the future minimum lease payments to be made under non-cancellable operating leases are as follows: | | |
| (a) Not later than one year | NIL | NIL |
| (b) Later than one year but not later than five years | NIL | NIL |
| (c) Later than five years | NIL | NIL |

**ii. Amounts recognised in profit or loss**
During the year ended 31 March 2020, rental expenses of ₹ 296.42 Lakhs (31 March 2018: ₹ 284.68 Lakhs) have been recognised in profit and loss statement.

**33 Earnings per share (EPS)**

| | **Particulars** | **Units** | **As at 31 March 2020** | **As at 31 March 2019** |
|---|---|---|---|---|
| i | (a) Profit Computation for Equity shareholders | | | |
| | Net profit as per Statement of Profit & Loss | ₹ in Lakhs | (538) | (2,007) |
| | Less: Preference Dividend | - | | |
| | Net profit for Equity Shareholders | ₹ in Lakhs | (538) | (2,007) |
| | (b) Weighted Average Number of Equity Shares outstanding | Nos | 2,318 | 1,300 |
| ii | (a) Profit Computation for Equity shareholders (including potential shareholders) | | | |
| | Net profit as per Statement of Profit & Loss | ₹ in Lakhs | (538) | (2,007.24) |
| | Less: Preference dividend | | | |
| | Net profit for equity shareholders (including potential shareholders)* | ₹ in Lakhs | (538) | (2,007.24) |
| | (b) Weighted Average Number of Equity Shares outstanding | Nos | 2,318 | 1,300 |
| | Earnings Per Share (Weighted Average) | | | |
| | **Basic** | ₹ | **(0.23)** | **(1.54)** |
| | **Diluted** | ₹ | **(0.23)** | **(0.73)** |

* There are no potential equity shares outstanding as on March 31, 2020.

**34** As on March 31, 2020 there were no events or changes in circumstances which indicate any impairment in the assets as defined by Ind AS 36 - "Impairment of Assets".

**35 Operating segments**

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108.

**a. Information about geographical areas:**
The Company operates in one geographical segment and no further disclosures are required to be made.

**b. Information about major customers (from external customers):**
The Company does not earn revenues from the customers which amount to 10 per cent or more of Company's revenues.

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SVP & ASSOCIATES * NEW DELHI * Chartered Accountants

**IFCI FACTORS LIMITED**
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**36 Transfers of financial assets**

In the ordinary course of business, the Company enters into transactions that result in the transfer of loans and advances. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised in their entirety or to the extent of the Company's continuing involvement, or are derecognised in their entirety.

The Company transfers financial assets that are not derecognised in their entirety are primarily through the sale of NPA loans to asset reconstruction companies (ARCs)

**A. Transferred financial assets that are not derecognised in their entirety**

**Sale of NPA loans to asset reconstruction companies (ARCs)**

Sale of NPA loans to asset reconstruction companies (ARCs)' are transactions in which the Company sells loan and advances to an unconsolidated special vehicle and simultaneously purchases the majority portion of security receipts issued by said vehicle. The security receipts are collateralised by the loans purchased by the vehicle and hence the cash flow of the security receipts is dependent on the recovery of purchased loans.
The Company continues to recognise that part of the loans in their entirety against which security receipts have been subscribed by the Company because it retains substantially all of the risks and rewards of ownership w.r.t that part of the transferred loan. The part of loan transferred against which cash consideration is received is derecognised.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

| | Financial assets at amortised cost |
|---|---|
| | **Loans and advances to customers** |
| **As at 31 March 2020** | |
| **(i) Assets** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | |
| **Carrying amount of assets** | - |
| **Associated liabilities** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | |
| **Carrying amount of associated liabilities** | - |
| **(ii) For those liabilities that have recourse only to the transferred financial assets** | |
| **Assets** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | - |
| **Fair value of assets** | - |
| **Associated liabilities** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | - |
| **Fair value of associated liabilities** | - |
| **As at 31 March 2019** | |
| **(i) Assets** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | - |
| **Carrying amount of assets** | - |
| **Associated liabilities** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | - |
| **Carrying amount of associated liabilities** | - |

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| | Financial assets at amortised cost |
|---|---|
| | **Loans and advances to customers** |
| **(ii) For those liabilities that have recourse only to the transferred financial assets** | |
| **Assets** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | |
| **Fair value of assets** | - |
| **Associated liabilities** | |
| Sale of NPA loans to asset reconstruction companies (ARCs) | |
| **Fair value of associated liabilities** | - |

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**37 Financial instruments - fair value and risk management**

**A. Financial instruments by category**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

| Particluars | FVTPL | FVTOCI | Amortised cost |
|---|---|---|---|
| | | As at 31 March 2020 | |
| **Financial assets:** | | | |
| Cash and cash equivalents | | | 2,165.49 |
| Bank balance other than above | | | - |
| Loans | | | 32,005.43 |
| Investments | | 937.55 | |
| Other financial assets | | | 15.67 |
| | - | 937.55 | 34,186.59 |
| **Financial liabilities:** | | | |
| Debt securities | | | 15,760.56 |
| Borrowings (other than debt securities) | | | 8,941.31 |
| Other financial liabilities | | | 6,369.23 |
| | - | - | 31,071.10 |

| Particluars | FVTPL | FVTOCI | Amortised cost |
|---|---|---|---|
| | | As at 31 March 2019 | |
| **Financial assets:** | | | |
| Cash and cash equivalents | | | 1,060.16 |
| Bank balance other than above | | | 1.02 |
| Loans | | | 38,090.75 |
| Investments | | 937.55 | |
| Other financial assets | | | 17.25 |
| | - | 937.55 | 39,169.18 |
| **Financial liabilities:** | | | |
| Debt securities | | | 15,747.80 |
| Borrowings (other than debt securities) | | | 12,913.76 |
| Other financial liabilities | | | 6,546.89 |
| | - | - | 35,208.45 |

**B. Fair value hierarchy**
This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
(a) recognised and measured at fair value and
(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| As at 31 March 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Investments | | | 937.55 | 937.55 |
| | - | - | 937.55 | 937.55 |

**Assets and liabilities which are measured at amortised cost for which fair values are disclosed**

| As at 31 March 2020 | Amortised cost | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Cash and cash equivalents | 2,165.49 | | | 2,165.49 | 2,165.49 |
| Bank balance other than above | - | | | - | - |
| Loans | 32,005.43 | | | 32,005.43 | 32,005.43 |
| Investments | - | | | - | - |
| Other financial assets | 15.67 | | | 15.67 | 15.67 |
| | 34,186.59 | - | - | 34,186.59 | 34,186.59 |
| **Financial liabilities:** | | | | | |
| Trade payables | - | | | - | - |
| Debt securities | 15,760.56 | | | 15,760.56 | 15,760.56 |
| Borrowings (other than debt securities) | 8,941.31 | | | 8,941.31 | 8,941.31 |
| Subordinated liabilities | - | | | - | - |
| Other financial liabilities | 6,369.23 | | | 6,369.23 | 6,369.23 |
| | 31,071.10 | - | - | 31,071.10 | 31,071.10 |

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| As at 31 March 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Derivative financial instruments | | - | | - |

**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
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| | | | | |
|---|---|---|---|---|
| Investments | | | 937.55 | 937.55 |
| | - | - | 937.55 | 937.55 |
| **Financial liabilities:** | | | | |
| Derivative financial instruments | | - | | - |
| | - | - | - | - |

**Assets and liabilities which are measured at amortised cost for which fair values are disclosed**

| As at 31 March 2019 | Amortised cost | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Cash and cash equivalents | 1,060.16 | | | 1,060.16 | 1,060.16 |
| Bank balance other than above | 1.02 | | | 1.02 | 1.02 |
| Loans | 38,090.75 | | | 38,090.75 | 38,090.75 |
| Other financial assets | 17.25 | | | 17.25 | 17.25 |
| | 39,169.18 | - | - | 39,169.18 | 39,169.18 |
| **Financial liabilities:** | | | | | |
| Debt securities | 15,747.80 | | | 15,747.80 | 15,747.80 |
| Borrowings (other than debt securities) | 12,913.76 | | | 12,913.76 | 12,913.76 |
| Other financial liabilities | 6,546.89 | | | 6,546.89 | 6,546.89 |
| | 35,208.45 | - | - | 35,208.45 | 35,208.45 |

C. **Valuation framework**

The finance department of the group includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every three months, in line with the group's quarterly reporting periods. Specific controls include :

- verification of observable pricing
- re-performance of model valuations
- review and approval process for new models and chages to models
- review of significant unobservable imputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

The objective of valuation techniques is ti arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for OTC derivatives such as forward rate agreements. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainity associated with determining fair values.

**Financial instruments valued at carrying value**

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments include cash in hand, balances with other banks, trade receivables, trade payables and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

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## 38 Financial risk management

The Company's activities exposure it to credit risk, liquidity risk, market risk and operational risk.

### A. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### B. Credit risk

Credit risk arises from loans and advances, cash and cash equivalents, investment in debt securtiies and deposits with banks and financial institutions and any other financial assets.
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's asset on finance and trade receivables from customers; loans and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit risk exposure.

**a) Credit risk management**
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, or
• it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Credit limits are established for each customer and reviewed quarterly. Any loan exceeding those limits require approval from the risk management committee.

**b) Probablity of defalut (PD)**
Internal rating is the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdictions or region and type of product or borrower.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of passage of time.

**c) Definition of default and cure**
The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower is rated as either 9 or 10.
The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:
- Internal ratings as on each reporting date
- actual or expected significant adverse changes in business, financial or economic condition that are expected to cause a significant change to borrower's ability to meet its obligations.
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting tee obligation or in the quality of third arty guarantees or credit enhancements.
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers and changes in operating results.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

**d) Exposure at default (EAD)**
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.
To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.
The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of Company's models.

**e) Loss given default (LGD)**
Recovery pattern for the last 10 year of the Company from the reporting date is used to calculate LGD. The Company evaluates all the loans those are defaulted and closed in the last 10 years for recovery efficiency and accordingly calculates the LGD for the Company.

**f) Significant increase in credit risk**
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if rating is degraded by more than 3 basis points, the credit risk is deemed to have increased significantly since initial recognition.

**g) Provision for expected credit losses**
The Company's exposure to credit risk for asset on finance, trade receivables and other financial assets by type of counterparty is as follows.

| | As at 31 March 2020 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| **Loans and advances at amortised cost** | | | | | |
| Low-fair risk | 20,372.00 | | | | 20,372.00 |
| Higher risk | | 2,912.00 | | | 2,912.00 |
| Loss | | | 34,927.39 | | 34,927.39 |
| | 20,372.00 | 2,912.00 | 34,927.39 | - | 58,211.39 |
| Loss allowance | | | | | |
| **Carrying value** | 20,372.00 | 2,912.00 | 34,927.39 | - | 58,211.39 |

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| | As at 31 March 2019 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Loans and advances at amortised cost | | | | | |
| Low-fair risk | 25,956.12 | | | | 25,956.12 |
| Higher risk | | 3,821.64 | | | 3,821.64 |
| Loss | | | 33,517.66 | | 33,517.66 |
| | 25,956.12 | 3,821.64 | 33,517.66 | - | 63,295.41 |
| Loss allowance | | | | | - |
| **Carrying value** | **25,956.12** | **3,821.64** | **33,517.66** | - | **63,295.41** |

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans accounted for at amortised cost and FVOCI. Loss rates are calculated using past trend of Five years.

(a) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the Company uses information that is relevant and available without undue cost or effort. This includes the Company's internal credit rating grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

**Cash and cash equivalents**

The Company holds cash and cash equivalents of INR 2165.49 Lakhs at 31 March 2020 (31 March 2019: INR 1060.16 Lakhs). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on CRISIL ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company uses a similar approach for assessment of ECLs for cash and cash equivalents as used for debt securities.

**k) Collateral held and other credit enhancements**

The company's loans are generally secured by a charge on the asset financed (vehicle loans, property loans and loans against gold and securities). Loans are secured with current assets as well as immovable property and fixed assets in some cases.

Collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet the comany's internal credit assessment procedures, regardless of whether the loan is secured. In addition to the collateral stated above, the company holds other types of collateral such as second charges and floating charges for which specific values are generally not available.

The following table sets out the principal types of collateral held against different types of financial assets.

| As at March 31, 2020 | Maximum exposure to credit risk | Securties | Bank and government guarantees | Tangible assets | Total Collateral | Net Exposure |
|---|---|---|---|---|---|---|
| Loans and advances | 32,005.43 | - | 6,958.66 | 10,665.34 | 17,624.00 | 14,381.43 |
| **Total financial assets at amortised cost** | **32,005.43** | - | **6,958.66** | **10,665.34** | **17,624.00** | **14,381.43** |

| As at March 31, 2019 | Maximum exposure to credit risk | Securties | Bank and government guarantees | Tangible assets | Total Collateral | Net Exposure |
|---|---|---|---|---|---|---|
| Loans and advances | 38,090.75 | - | 4,391.07 | 9,947.49 | 14,338.56 | 23,752.19 |
| **Total financial assets at amortised cost** | **38,090.75** | - | **4,391.07** | **9,947.49** | **14,338.56** | **23,752.19** |

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(All amounts are in INR Lakhs unless otherwise stated)

C. **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

**Exposure to liquidity risk**
The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

| As at 31 March 2020 | Contractual cash flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross nominal inflow/ (outflow) | 6 month or less | 6-12 months | 1-2 years | 3-5 years | More than 5 years |
| **Non - derivative financial liabilities** | | | | | | | |
| Borrowings | 24,701.86 | 24,701.86 | 8,941.30 | - | - | 15,760.56 | |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 2,165.49 | 2,165.49 | 2,165.49 | | | | |
| Bank balances other than cash and cash equivalent | - | - | - | | | | |
| Loans | 32,005.43 | 32,005.43 | 21,552.35 | 3,109.52 | 5,556.19 | 1,787.37 | |
| Investment securities | 937.55 | 937.55 | | | | | 937.55 |

| As at 31 March 2019 | Contractual cash flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross nominal inflow/ (outflow) | 6 month or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non - derivative financial liabilities** | | | | | | | |
| Borrowings | 28,661.57 | 28,661.57 | 12,431.17 | 416.67 | 66.67 | 15,747.80 | - |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 1,060 | 1,060.16 | 1,060.16 | | | | |
| Bank balances other than cash and cash equivalent | 1.02 | 1.02 | 1.02 | | | | |
| Loans | 38,090.75 | 38,090.75 | 22,164.09 | 3,048.98 | 2,302.11 | 5,762.57 | 4,813.00 |
| Investment securities | 937.55 | 937.55 | | | | | 937.55 |

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**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
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**D. Market risk**

Market the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Such risks the market risk for the trading portfolio is managed and monitored based on a VaR methodology that reflects the interdependency between risk variables. Non–trading positions are managed and monitored using other sensitivity analyses.All such transactions are carried out within the guidelines set by the Risk Management Committee.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios :

| | | Market risk measure | |
|---|---|---|---|
| | **Carrying amount** | **Trading portfolios** | **Non-trading portfolios** |
| **As at 31 March 2020** | | | |
| **Assets subject to market risk** | | | |
| Cash and cash equivalents | 2,165.49 | - | 2,165.49 |
| Bank balance other than above | - | - | - |
| Loans | 32,005.43 | - | 32,005.43 |
| Investments | 937.55 | - | 937.55 |
| Other financial assets | 15.67 | - | 15.67 |
| | 35,124.14 | - | 35,124.14 |
| **Liabilities subject to market risk** | | | |
| Debt securities | 15,760.56 | - | 15,760.56 |
| Borrowings (other than debt securities) | 8,941.31 | - | 8,941.31 |
| Other financial liabilities | 6,369.23 | - | 6,369.23 |
| | 31,071.10 | - | 31,071.10 |
| **As at 31 March 2019** | | | |
| **Financial assets:** | | | |
| Cash and cash equivalents | 1,060.16 | - | 1,060.16 |
| Bank balance other than above | 1.02 | - | 1.02 |
| Loans | 38,090.75 | - | 38,090.75 |
| Investments | 937.55 | - | 937.55 |
| Other financial assets | 17.25 | - | 17.25 |
| | 40,106.73 | - | 40,106.73 |
| **Financial liabilities:** | | | |
| Debt securities | 15,747.80 | - | 15,747.80 |
| Borrowings (other than debt securities) | 12,913.76 | - | 12,913.76 |
| Other financial liabilities | 6,546.89 | - | 6,546.89 |
| | 35,208.45 | - | 35,208.45 |

**b. Market risk - Non-trading portfolios**

**(i) Interest rate risk**

*Exposure to interest rate risk*
The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

| **Particulars** | **31 March 2020** | **31 March 2019** |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 32,005.43 | 38,090.75 |
| Financial liabilities | 15,760.56 | 15,747.80 |
| **Variable rate instruments** | | |
| Financial assets | | |
| Financial liabilities | 8,941.31 | 12,913.76 |

**c. *Operational Risk***

**(i) *Operational***
Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The operational risk department operates independently from other units of the Company and reports directly to the Audit Committee, which consists of members of the Board. It conducts regular reviews of all business areas of the Company and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

The Company also has a contingency plan to take care of any failure of its computer systems. Regular backups are made for all important datasets, and stored outside the Company's premises. This ensures that in case of any system failure, the Company will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the Company has established a back-up site which would and operate during an emergency.

The Company has a specific Business Continuity Plan ("BCP") unit. The main objective of the BCP is to ensure that in the event of full or partial disaster, the Company should be able to continue providing essential services to customers, minimizing any adverse effects on the Company's business, through business impact analysis, business restoration plans and procedures, for the identified critical functions.

The Company is using an operational risk management solution for monitoring operational risk, conducting risk and control self assessments and capturing operational loss data.

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**39 Capital management**

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Reserve Bank of India (RBI) of India. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Company has complied in full with all its externally imposed capital requirements over the reported period.

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

**i. Regulatory capital**

The Company's regulatory capital consists of the sum of the following elements :
- Common equity Tier 1 (CET1) capital, which includes ordinary share capital, realetd share premiums, retained earnings and reserves after adjustment for dividend declared and deduction for goodwill, intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy puposes.

- Tier 2 capital, which includes preference shares, qualifying subordinated liabilities and any excess of impairment over expected losses.

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Common equity Tier 1 (CET1) capital** | | |
| Ordinary share capital | 27,943.89 | 19,940.09 |
| Share premium | 1,008.20 | 1,008.20 |
| Retained earnings | (17,823.75) | (17,260.35) |
| PDI | - | - |
| Other reserves | 1,491.45 | 9,529.98 |
| **Deductions:** | | |
| Intangible assets | (10.28) | (13.29) |
| Defeered tax other than temporary differnces | (8,175.33) | (7,920.44) |
| | 4,434.18 | 5,284.19 |
| **Tier 2 capital instruments** | | |
| PDI | - | - |
| Provision against Standard Assets | 358.16 | 447.21 |
| | 358.16 | 447.21 |
| Total regulatory capital | 4,792.34 | 5,731.41 |
| Risk weighted assets | 25,386.07 | 33,088.61 |
| CRAR (%) | 18.88% | 17.32% |
| CRAR -Tier I Capital (%) | 17.47% | 15.97% |
| CRAR -Tier II Capital (%) | 1.41% | 1.35% |

**ii. Capital allocation**

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Company Risk and Company Credit, and is subject to review by the Company Asset and Liability Management Committee (ALCO).

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer-term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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40 **The following additional information is disclosed in terms of RBI Circulars applicable to Non-Banking Financial Companies:**

(i) Certificated of Registration no. as issued by Reserve Bank of India - B-14.01248

(ii) No penalty has been imposed by RBI and any other regulators during the year.

(iii) Ratings assigned by credit rating agencies and migration of ratings during the period ended March, 2018

Long Term (Bonds/NCDs/Term Loans)

| Ratings by | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| CARE | CARE BB+ Negitave (Doubel B Plus; Outlook: Negative) | CARE BBB (SO); Negative (Triple B; Outlook: Negative) |

Short Term (Commercial Paper/Short term borrowings)

| Ratings by | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| CARE | CARE A4 [A Four] | CARE A3+ (SO) [A Three Plus (Structured Obligation)] |

Long Term Non-Convertible Debentures

| Ratings by | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Brickwork | BWR BB+ : Pronounced BWR BB+ PLUS (Outlook Stable) | BWR BBB : Pronounced BWR BBB PLUS (Outlook NEGATIVE) |
| CARE | CARE BB+ Negitave (Doubel B Plus; Outlook: Negative | CARE BBB- ; Negative (Triple B Minus; Outlook: Negative) |

(iv) Disclosures relating to Customer Complaints

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| a) | No. of complaints pending at the beginning of the period | - | - |
| b) | No. of complaints received during the period | - | - |
| c) | No. of complaints redressed during the period | - | - |
| d) | No. of complaints pending at the end of the period | - | - |

(v) **Capital to Risk Assets Ratio (CRAR)**

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| (a) | Capital to Risk Assets Ratio (CRAR) | 18.88% | 17.32% |
| (i) | Core CRAR | 17.47% | 15.97% |
| (ii) | Supplementary CRAR | 1.41% | 1.35% |
| (b) | Subordinated debt raised, outstanding as Tier II Capital | - | - |
| (c) | Risk-weighted assets | 25,386 | 33,089 |
| (i) | On-Balance Sheet Items | 25,386 | 33,089 |
| (ii) | Off-Balance Sheet Items | - | - |

(vi) Loans and advances availed, inclusive of interest accrued thereon but not paid:

| | Particulars | As on 31/03/2020 | | As on 31/03/2019 | |
|---|---|---|---|---|---|
| | | Outstanding | Overdue | Outstanding | Overdue |
| (a) | **Debentures:** | | | | |
| (i) | Secured | 6,298.41 | | 6,301.74 | |
| (ii) | Unsecured | 10,740.96 | | 10,720.45 | |
| (b) | **Deferred Credits** | | | | |
| (c) | Term Loans | 6,090.18 | | 10,978.15 | |
| (d) | Inter Corporate loans & borrowing | | | | |
| (e) | CBLO/ Commercial Paper | | | | |
| (f) | Other Loans (Cash Credit and Overdraft) | 2,903.66 | | 2,014.51 | |
| (g) | Funds placed with IFCI | | | | |
| (h) | Bonds | | | | |

The Company has not defaulted in repayment of dues to any financial institution or bank or bond/ debenture holders.

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(vii) Investor group wise classification of all investments (Current & Long Term) in shares and securities (both Quoted & Unquoted)

| | Category | 31-Mar-20 | | 31-Mar-19 | |
|---|---|---|---|---|---|
| | | Market/ Break- up/ Fair Value/ NAV | Book Value | Market/ Break- up/ Fair Value/ NAV | Book Value |
| | **Related Parties** | | | | |
| (a) | Subsidiaries | - | - | - | - |
| (b) | Companies in same group | - | - | - | - |
| (c) | Joint Venture | - | - | - | - |
| (d) | Other than Related Parties | 937.55 | 937.55 | 937.55 | 937.55 |
| | **Total** | **937.55** | **937.55** | **937.55** | **937.55** |

(viii) Details of investment and movement in provision :

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| A) | **Value of Investment in India** | | |
| | Provisions for Depreciation | 253.55 | 253.55 |
| | Net Value of Investments | 937.55 | 937.55 |
| B) | **Movement of provisions held towards depreciation on investments** | | |
| (i) | Opening balance | 253.55 | 253.55 |
| (ii) | Add : Provisions made during the year | - | - |
| (iii) | Less : Write-off / write-back of excess provisions during the year | - | - |
| (iv) | Closing balance | 253.55 | 253.55 |

(ix)

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Leased Assets and stock on hire and other assets counting towards Loan activities | - | - |

(x) **Borrower group-wise classification of assets financed:**

| | Category | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| 1 | Related Parties | | |
| (a) | Subsidiaries | | |
| (b) | Companies in same group | | |
| 2 | Other than Related Parties | 32,005.43 | 38,090.75 |
| | **Total** | **32,005.43** | **38,090.75** |

Amount is net of provision against non-performing and standard restructured assets

(xi) **Details of Single Borrower Limit - exceeded by the NBFC on the basis of Gross Exposure**

| | | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| | **Concern Name** | **CONCAST STEEL & POWER LIMITED** | **CONCAST STEEL & POWER LIMITED** |
| (a) | Loan Total Outstanding | 2,500.08 | 2,500.08 |
| (b) | %of owned funds | | |
| (c ) | Investment outstanding | | |
| (d) | % of owned funds | | |
| (e) | Total Exposure | | |
| (f) | % of owned funds | | |

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**(xii) Details of Group Borrower Limit - exceeded by the NBFC on the basis of Gross Exposure**

| Group Name | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| (a) Loan Total Outstanding | - | - |
| (b) %of owned funds | - | - |
| (c) Investment outstanding | - | - |
| (d) % of owned funds | - | - |
| (e) Total Exposure | - | - |
| (f) % of owned funds | - | - |

**(xiii)**

| Concentration of Advances | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Total Advances to top twenty largest borrowers / customers | 27,889.44 | 29,398.26 |
| Percentage of Advances to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers | 48.00% | 46.45% |

**(xiv)**

| Concentration of Exposures | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Total Exposure to top twenty largest borrowers / customers | 27,889.44 | 28,958.06 |
| Percentage of Exposures to top twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers | 38.00% | 38.80% |

**(xv)**

| Concentration of NPAs | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Total Exposure to top Four NPA Accounts | 7,604.79 | 7,604.79 |

**(xvi) Status of Non-Performing Assets**

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| 1 | **Gross Non-Performing Assets** | | |
| (a) | Related Parties | - | - |
| (b) | Other than Related parties | - | |
| 2 | **Net Non-Performing Assets** | | |
| (a) | Related Parties | - | - |
| (b) | Other than Related parties | - | |
| | Assets acquired in satisfaction of debt | - | - |

**(xvii)** Movement of NPA :

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| (i) | **Net NPAs to Net Advances (%)** | 13.99% | 9.60% |
| (ii) | **Movement of NPAs (Gross)** | | |
| (a) | Opening balance | 33,517.66 | 38,195.79 |
| (b) | Additions during the year | 3,481.00 | |
| (c) | Reductions during the year | 2,071.00 | 4,678.13 |
| (d) | Closing balance | **34,927.66** | **33,517.66** |
| (iii) | **Movement of Net NPAs** | | |
| (a) | Opening balance | 3,126.34 | 7,364.33 |
| (b) | Additions during the year | 576.88 | - |
| (c) | Reductions during the year | | 4,238.00 |
| (d) | Closing balance | **3,703.22** | **3,126.34** |
| (iv) | **Movement of provisions for NPAs (excluding provisions on standard assets)** | | |
| (a) | Opening balance | 30,391.32 | 30,831.45 |
| (b) | Provisions made during the year | 2,290.34 | 2,754.39 |
| (c) | Write-off / write-back of excess provisions | 1,457.22 | 3,194.52 |
| (d) | Closing balance | **31,224.44** | **30,391.32** |

(xviii) **Sector-Wise NPA**

| | Sector | % of NPAs to Total Advances | |
|---|---|---|---|
| | | 31-Mar-20 | 31-Mar-19 |
| 1 | MSME | 13,696.54 | 13,483.83 |
| 2 | Corporate Borrowers | 18,810.62 | 17,535.37 |
| 3 | Services | 2,420.49 | 2,498.46 |
| 5 | Other personal loans | - | - |

(xix) **Provisions and contingencies**

| Break up of Provisions and Contingencies | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Provisions for depreciation on Investment | | |
| Provision for Diminution in value of Non-Current Investments | 253.55 | 253.55 |
| Provision towards NPA | 31,224.17 | 30,391.32 |
| Provision for Standard Assets | 358.16 | 447.21 |
| - | | |

(xx) **Exposure to Real Estate Sector**

| | Category | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| a) | **Direct Exposure** | | |
| (ii) | **Commercial Real Estate-** Lending secured by mortgages on commercial real estate (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits | 4,612.07 | 5,911.01 |

(xxi) **Exposure to Capital Market**

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| (i) | direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | 253.55 | 253.55 |
| (ii) | advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security; | 5,264.86 | 4,750.58 |
| (iii) | advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances; | 1,631.05 | 2,525.34 |
| | **Total Exposure to Capital Market** | **7,149.46** | **7,529.48** |

(xxii) Assets sold to Securitization Company/ Reconstruction Company (SC/ RC):

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| 1 | Number of Accounts | - | - |
| 2 | Aggregate outstanding of accounts sold to SC/ RC | - | - |
| 3 | Aggregate consideration | - | - |
| 4 | Additional consideration realized in respect of accounts transferred in earlier years | - | - |
| 5 | Aggregate gain/ (loss) over net book value | - | - |

(xxiii)

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Assignment transactions undertaken | - | - |

(xxiv) Details of Non-performing financial assets purchased:

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Number of accounts purchased during the year | - | - |
| Aggregate Outstanding (` crore) | - | - |
| Of the above number of accounts restructured during the year | - | - |
| Aggregate Outstanding (` crore) | - | - |

(xxv) Non-performing financial assets sold to other than SC/RC

| | Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| 1 | Number of Accounts | - | - |
| 2 | Aggregate outstanding of accounts sold to SC/ RC | - | - |
| 3 | Aggregate consideration | - | - |

The company has not undertaken any exchange traded interest rate (IR) derivatives during the quarter.

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(xxvi) Maturity Pattern of assets and liabilities:

| Particulars | 1 day to 30 days | 1 month to 2 months | 2 months to 3 months | 3 months to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | | |
| Borrowing from Banks | 64.58 | 7,350.57 | - | 1,526.16 | - | - | | | 8,941.31 |
| Market borrowings | | | | | | | 15,760.56 | | 15,760.56 |
| **TOTAL** | **64.58** | **7,350.57** | **-** | **1,526.16** | **-** | **-** | **15,760.56** | **-** | **24,701.87** |
| **ASSETS** | | | | | | | | | |
| Advances | 5,116.79 | 3,666.00 | 2,270.00 | 4,237.44 | 3,905.91 | 4,088.24 | 34,927.56 | - | 58,211.94 |
| Investments | | | | | | | | 937.55 | 937.55 |
| **TOTAL** | **5,117** | **3,666** | **2,270** | **4,237** | **3,906** | **4,088** | **34,928** | **938** | **59,149.49** |

(₹ in Crore)

| Sl. No. | Type of Restructuring | | Under CDR Mechanism | | | | | Under SME Debt Restructuring Mechanism | | | | | Others | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Asset Classification | | Standard | Sub-Standard | Doubtful | Loss | Total | Standard | Sub-Standard | Doubtful | Loss | Total | Standard | Sub-Standard | Doubtful | Loss | Total | Standard | Sub-Standard | Doubtful | Loss | Total |
| | Details | | | | | | | | | | | | | | | | | | | | | |
| 1 | Restructured Accounts as on April, 1 of the FY (opening figures)* | No. of borrowers | 1 | | | | 1 | | | | | | | 1 | 1 | 2 | 4 | 1 | 1 | 1 | 2 | 5 |
| | | Amount outstanding | 1,175.62 | | | | 1,175.62 | | | | | | | 4.25 | 1,156.08 | 2,013.17 | 3,173.51 | 1,175.62 | 4.25 | 1,156.08 | 2,013.17 | 4,349.13 |
| | | Provision thereon | 304.19 | | | | 304.19 | | | | | | | 3.42 | 971.00 | 2,013.17 | 2,987.59 | 304.19 | 3.42 | 971.00 | 2,013.17 | 3,291.79 |
| 2 | Fresh restructuring during the year | No. of borrowers | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| | | Amount outstanding | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| | | Provision thereon | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| 3 | Upgradations to restructured standard category during the FY | No. of borrowers | | | | | | | | | | | | 1.00 | | | 1 | - | 1 | - | - | 1 |
| | | Amount outstanding | | | | | | | | | | | | 4.17 | | | 4 | - | 4 | - | - | 4 |
| | | Provision thereon | | | | | | | | | | | | 0.84 | | | 1 | | 1 | - | - | 1 |
| 4 | Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY | No. of borrowers | | | | | | | | | | | | | | | | | - | - | - | - |
| | | Amount outstanding | | | | | | | | | | | | | | | | | - | - | - | - |
| | | Provision thereon | | | | | | | | | | | | | | | | | - | - | - | - |
| 5 | Downgradations of restructured accounts during the FY | No. of borrowers | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| | | Amount outstanding | | | | | - | | | | | | | | | | - | - | - | | | - |
| | | Provision thereon | | | | | - | | | | | | | | | | - | - | - | - | | - |
| 6 | Write-offs of restructured accounts during the FY** | No. of borrowers | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| | | Amount outstanding | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| | | Provision thereon | | | | | - | | | | | | | | | | - | - | - | - | - | - |
| 7 | Reduction in Principal/Provision | No. of borrowers | 1 | | | | 1 | | | | | | | | 1 | | 1 | 1 | - | 1 | - | 2 |
| | | Amount outstanding | 64.77 | | | | 64.77 | | | | | | | | 367.68 | | 367.68 | 64.77 | - | 367.68 | - | 432.45 |
| | | Provision thereon | 56.86 | | | | 56.86 | | | | | | | | 364.68 | | 364.68 | 56.86 | - | 364.68 | - | 421.54 |
| 8 | Restructured Accounts as on March, 31 of the FY (closing figures)* | No. of borrowers | 1 | | | | 1 | | | | | | | 1 | 1 | 2 | 4 | 1 | 1 | 1 | 2 | 5 |
| | | Amount outstanding | 1,110.85 | | | | 1,110.85 | | | | | | | 8.43 | 788.40 | 2,013.17 | 2,810.00 | 1,110.85 | 8.43 | 788.40 | 2,013.17 | 3,920.85 |
| | | Provision thereon | 247.33 | | | | 247.33 | | | | | | | 4.25 | 606.32 | 2,013.17 | 2,623.75 | 247.33 | 4.25 | 606.32 | 2,013.17 | 2,871.08 |

**IFCI FACTORS LIMITED**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts are in Rupees crores unless otherwise stated)

**42 Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

| | As at 31 March 2020 | | | As at 31 March 2019 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **I. ASSETS** | | | | | | |
| **(1) Financial Assets** | | | | | | |
| (a) Cash and cash equivalents | 21.65 | - | 21.65 | 10.60 | - | 10.60 |
| (b) Bank Balance other than (a) above | - | - | - | - | 0.01 | 0.01 |
| (c) Derivative financial instruments | - | - | - | - | - | - |
| (d) Receivables | - | - | - | - | - | - |
| (e) Loans | 269.17 | 50.88 | 320.05 | 319.21 | 61.70 | 380.91 |
| (f) Investments | - | 9.38 | 9.38 | - | 9.38 | 9.38 |
| (g) Other Financial assets | 0.14 | 0.02 | 0.16 | 0.16 | 0.02 | 0.17 |
| **Total financial assets** | **290.96** | **60.27** | **351.24** | **329.96** | **71.11** | **401.07** |
| **(2) Non-financial Assets** | | | | | | |
| (a) Investment in subsidiaries | - | - | - | - | - | - |
| (b) Equity accounted investees | - | - | - | - | - | - |
| (c) Current tax assets (Net) | - | 6.74 | 6.74 | - | 12.44 | 12.44 |
| (d) Deferred tax Assets (Net) | - | 81.71 | 81.71 | - | 79.20 | 79.20 |
| (e) Investment Property | - | - | - | - | - | - |
| (f) Property, Plant and Equipment | - | 0.11 | 0.11 | - | 0.14 | 0.14 |
| (g) Capital work-in-progress | - | - | - | - | - | - |
| (h) Other Intangible assets | - | 0.10 | 0.10 | - | 0.13 | 0.13 |
| (i) Other non-financial assets | 0.57 | - | 0.57 | 0.62 | - | 0.62 |
| **Total non-financial assets** | **0.57** | **88.66** | **89.23** | **0.62** | **91.92** | **92.54** |
| Assets held for sale | 3.77 | - | 3.77 | - | - | - |
| **Total assets** | **295.31** | **148.93** | **444.24** | **330.58** | **163.02** | **493.61** |
| **II. LIABILITIES AND EQUITY** | | | | | | |
| **LIABILITIES** | | | | | | |
| **(1) Financial Liabilities** | | | | | | |
| Derivative financial instruments | | | | | | |
| (a)Payables | | | | | | |
| (I) Trade Payables | | | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | - | - | - | - | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | - | - | - | - | - | - |
| (II) Other Payables | | | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | - | - | - | - | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 1.58 | - | 1.58 | 2.99 | - | 2.99 |
| (b) Debt Securities | - | 155.51 | 155.51 | - | 157.48 | 157.48 |

| | | | | | | |
|---|---|---|---|---|---|---|
| (c) Borrowings (Other than Debt Securities) | 2.74 | 88.77 | 91.52 | 8.33 | 120.80 | 129.14 |
| (d) Subordinated Liabilities | - | - | - | - | - | - |
| (e) Other financial liabilities | 63.69 | - | 63.69 | 65.47 | - | 65.47 |
| **Total financial liabilities** | **68.02** | **244.28** | **312.30** | **76.79** | **278.28** | **355.08** |
| **(2) Non-Financial Liabilities** | | | | | | |
| (a) Provisions | 1.02 | 4.58 | 5.60 | 0.02 | 5.86 | 5.88 |
| (b) Other non-financial liabilities | 1.01 | - | 1.01 | 0.47 | - | 0.47 |
| **Total non-financial liabilities** | **2.03** | **4.58** | **6.61** | **0.49** | **5.86** | **6.35** |
| **Total Liabilities** | **70.04** | **248.87** | **318.91** | **77.28** | **284.14** | **361.43** |
| **Net** | **225.26** | **(99.93)** | **125.33** | **253.30** | **(121.12)** | **132.18** |

**43** During the period the company did not undertake any derivative transaction.

**44** The financial statements are prepared as per the "Ind AS Compliant Schedule III to Companies Act, 2013 for Non Banking Financial Companies

45 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR NO. RBI/2019-20/170 DOR (NBFC).CC.PD. NO.109/22.10.106/2019-20

| Asset Classification as per RBI Norms | Asset Classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as per required under Ind AS 109 | Net Carrying Amount | Provision Required as per IRACP Norms | Difference between Ind AS 109 provisions and IRACP Norms |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) = (3) - (4) | (6) | (7) = (4) - (6) |
| Standard | Stage 1 | 20,372 | 866 | 19,507 | 130 | 736 |
| | Stage 2 | 2,912 | 903 | 2,009 | 317 | 586 |
| Subtotal | | 23,284 | 1,769 | 21,516 | 447 | 1,322 |
| Non Performing Assets(NPA) | | | | | | |
| Substandard(Sub Total - A) | Stage 3 | 2,831 | 1,699 | 1,132 | 1,050 | 649 |
| Doubtful | | | | | | |
| Upto 1 Year | Stage 3 | - | - | - | - | - |
| 1 to 3 Years | Stage 3 | 2,959 | 1,776 | 1,184 | 2,228 | -453 |
| More than 3 years | Stage 3 | 3,188 | 1,913 | 1,275 | 2,198 | -285 |
| Doubtful (Sub Total - B) | | 6,148 | 3,689 | 2,459 | 4,426 | -738 |
| Loss (Sub Total - C) | Stage 3 | 25,949 | 15,569 | 10,379 | 25,748 | -10,179 |
| Subtotal of NPA (Sub Total - (A)+(B)+C | | 34,927 | 20,956 | 13,971 | 31,224 | -10,268 |
| Total | Stage 1 | 20,372 | 866 | 19,507 | 130 | 736 |
| | Stage 2 | 2,912 | 903 | 2,009 | 317 | 586 |
| | Stage 3 | 34,927 | 20,956 | 13,971 | 31,224 | -10,268 |
| | Total | 58,212 | 22,725 | 35,487 | 31,671 | -8,946 |

IFCI FACTORS LTD. NEW DELHI

CVP & ASSOCIATES Chartered Accountants

46 Advances do not include write-off cases against which legal proceedings in the nature of criminal and / or civil or pending. Legal expenses on these cases are being incurred and debited to profit & Loss account.

47 Company spent Rs.10 Lacs out of CSR provision made of Rs.101.92 lakhs and balance amount Rs.91.92 Lakhs remain deferred as on 31.3.20

48 Previous year figures have been re-grouped/ re-arranged wherever necessary, to conform to current period's presentation.

49 Stage 3 income has been considered as NIL as the compnay has not received any income till date from Stage 3 accounts.

50 The total amount of provisions against Non Standard assets as per IGAAP is Rs.312.24 crore whereas the amount of provisions required to be made as per IND AS against the Non Standard accounts is Rs. 209.56 crore and the total provisions required to done as per IND AS is Rs. 227.25 crore. The table below enumerates the comparative status of provisioning between IGAAP and IND AS.

Rs. In Cr

| | IGAAP | | Ind AS | | |
|---|---|---|---|---|---|
| Particulars | Amount | Provision | Amount | Provision -ECL | % |
| NPA-100% in Nature | 349.27 | 312.24 | 349.27 | 209.56 | 60% |
| Good Debtors | 203.72 | 1.30 | 203.72 | 8.66 | 4.25% |
| Stress debtors | 29.12 | 3.17 | 29.12 | 9.03 | 31.0% |
| Total | 582.11 | 316.71 | 582.11 | 227.25 | 89.46 |

Net Reversal Rs.89.46crore. *

* We have taken up the matter with RBI w.r.t. applicability of accounting treatment flowing from RBI master Directions applicable to the Company. Pending clarification from RBI, company has created impairment allowance on its loan assets at higher of ECL assessment/ RBI norms on portfolio level, based on homogeneous grouping of loans.

In terms of our Report of even date
**For SVP & Associates**
Chartered Accountants
Firm Registration No. 003838N

**(CA Vijay Kumar Chopra)**
Partner
Membership No. 054600

**Place:** New Delhi
**Dated:June 16, 2020**

**For and on behalf of Board**

**(Bikash Kanti Roy)**
Managing Director
DIN: 02171876

**(Sachikanta Mishra)**
Nominee Director
DIN: 02755068

**(Manish Jain)**
Chief Financial Officer

**(Mani Dev Sadh)**
Company Secretary