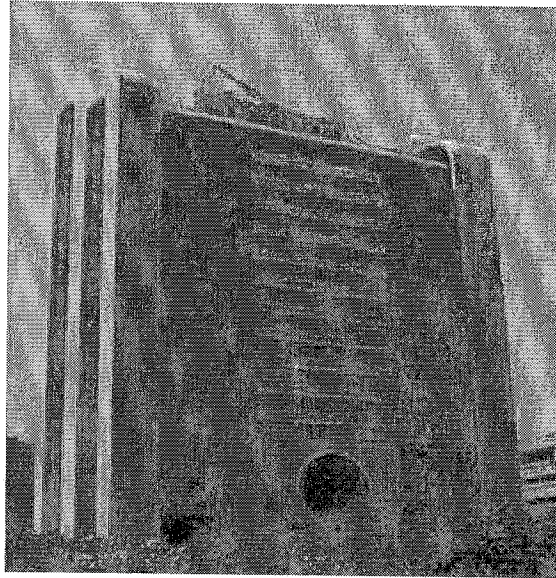


**IFCI FACTORS LIMITED**



**21<sup>TH</sup> ANNUAL REPORT**

**2015-16**

## Corporate Information

### Board of Directors

Mr. Malay Mukherjee	Non-Executive Chairman
Mr. Sudhir Garg	Non-Executive Director
Mr. Shrawan Nigam	Independent Director
Mr. Vinod Kumar Gupta	Independent Director
Mr. Ajoy Kumar Deb	Independent Director
Mr. Rajib Sekhar Sahoo	Independent Director
Mrs. Bandana Mukhopadhyay	Independent Director
Mr. Satbir Singh	Managing Director

### Registered Office

10<sup>th</sup> Floor, IFCI Tower,  
61 Nehru Place,  
New Delhi 110019

### Website & Email Id

[www.ifcifactors.com](http://www.ifcifactors.com)  
[samir@ifcifactors.com](mailto:samir@ifcifactors.com)

### Sr. Associate Vice President & Company Secretary

Mr. Samir Raheja

### Chief Financial Officer

Mr. Manish Jain

### Auditors

M/s Chandiwala Virmani & Co.  
Chartered Accountants, New Delhi

### Debenture Trustee

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

### Bankers

Canara Bank  
Vijaya Bank  
Andhra Bank  
Dena Bank  
The South Indian Bank Limited

## NOTICE

**NOTICE** is hereby given that the Twenty-first (21<sup>st</sup>) Annual General Meeting of the Members of IFCI Factors Limited will be held on Thursday, September 15, 2016 at 11 a.m at 10<sup>th</sup> floor, IFCI Tower, 61 Nehru Place, New Delhi 110019 at IFCI Tower, 10<sup>th</sup> Floor, 61 Nehru Place, New Delhi-110019, to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements of the Company for the Financial Year ended March 31, 2016 and the report of the Board of Directors and Auditors thereon.
2. To fix the remuneration of the Statutory Auditors of the Company for the Financial Year 2016-17 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 2016-17, as may be deemed fit."

3. To appoint a Director in place of Mr. Sudhir Garg (DIN: 06777363), who retires by rotation and being eligible, offers himself for re-appointment.

By Order of Board of Directors

July 30, 2016  
New Delhi

Samir Raheja  
Sr.AVP & Company Secretary

IFCI Factors Limited  
Registered Office:  
10<sup>th</sup> Floor, IFCI Tower, 61,  
Nehru Place, New Delhi – 110019  
CIN: U74899DL1995GOI074649  
Phone: +91-11-41642840  
Website: [www.ifcifactors.com](http://www.ifcifactors.com)  
Email: [samir@ifcifactors.com](mailto:samir@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 person or shareholder.
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 on all working days except Saturdays, Sundays and Holidays between 11:00 a.m. to 1:00 p.m. 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. All documents referred to in the accompanying Notice and/or the Statement are open for inspection by the members at the Registered Office of the Company during normal business hours on any working day excluding Saturdays, till the date of the ensuing AGM.
7. Members are hereby informed that pursuant to Section 205A (5) of the then Companies Act, 1956, ("the previous Act"), the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unclaimed or unpaid for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investors Education and Protection Fund "Fund") established by the Central Government under Subsection (1) of Section 205C of the previous Act. No claim shall lie against the Company or the Fund in respect of individual amounts of dividend remaining unclaimed or unpaid for a period of seven years and transferred to the Fund as aforesaid.
8. 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.
9. 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.
10. 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.
11. Brief profile of Mr. Sudhir Garg, Non-Executive Director, is given in the Corporate Governance Report.

**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: 10<sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi – 110019

Website: [www.ifcifactors.com](http://www.ifcifactors.com) Email: [Samir@ifcifactors.com](mailto:Samir@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 21<sup>st</sup> Annual General Meeting of the Company, to be held on the September 15, 2016 at 10<sup>th</sup> floor, IFCI Tower, Nehru Place, New Delhi at 11 A.M. and at any adjournment thereof in respect of such resolution/s as are indicated below:

Resolution No.	Resolution/s Matter	Optional	
		For	Against
<b>Ordinary Business</b>			
1.	Adoption of Financial Statements for the financial year ended March 31, 2016 and the report of Board of Directors and Auditors thereon.		
2.	Fixing the Remuneration of the Statutory Auditors of the Company for the financial year 2016-17 as appointed by the Comptroller & Auditor General of India		
3.	Appointment of Mr. Sudhir Garg, retiring by rotation		

Signed this ..... day of ....., 2016

Signature of Shareholder.....

Signature of Proxy holder(s).....

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

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

Website: [www.ifcifactors.com](http://www.ifcifactors.com) Email: [samir@ifcifactors.com](mailto:samir@ifcifactors.com)

**ATTENDANCE SLIP**

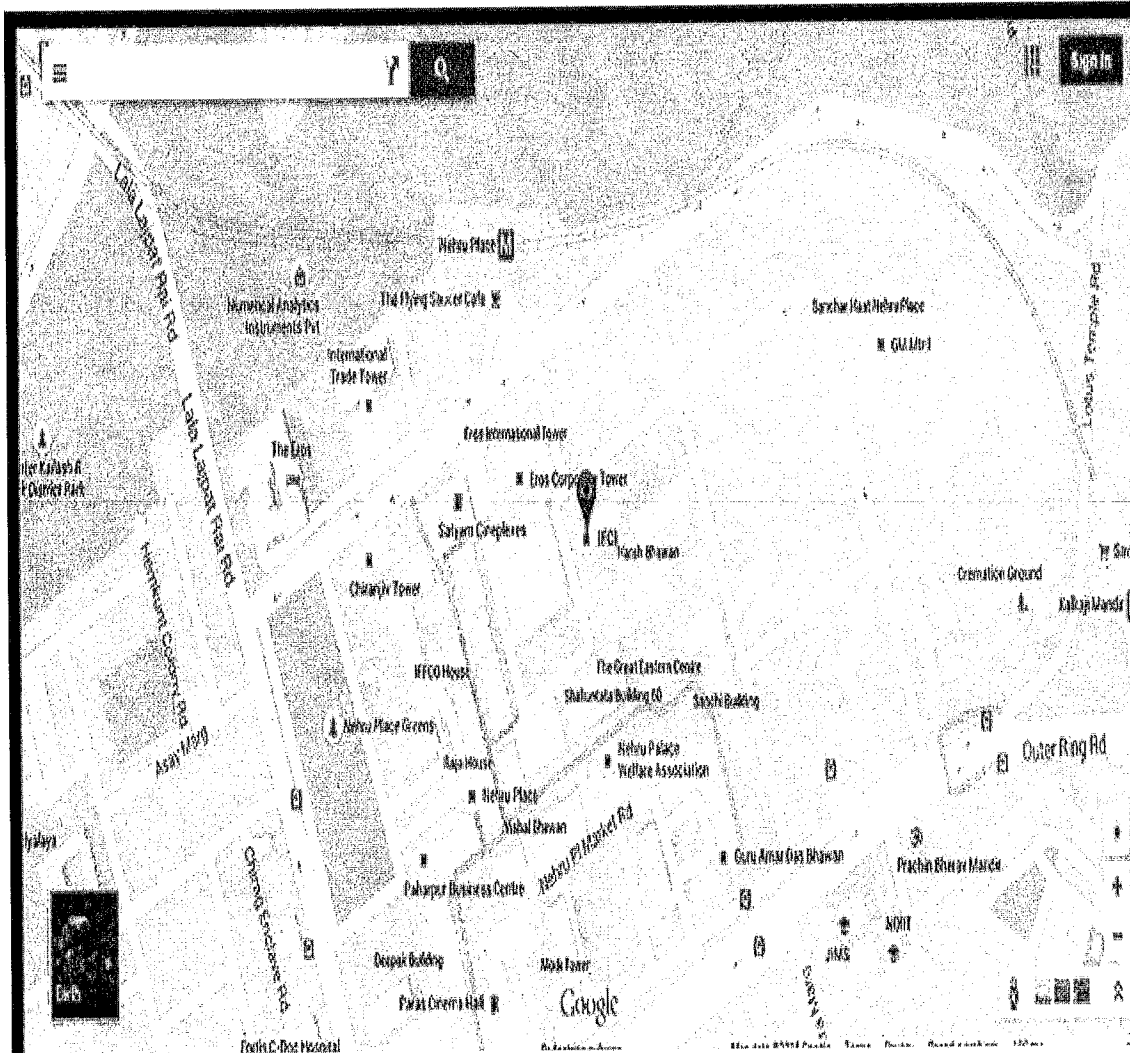
21<sup>st</sup> Annual General Meeting held on Thursday, the 15<sup>th</sup> day of September, 2016 at 11.00 a.m at 10<sup>th</sup> Floor, IFCI Tower 61, Nehru Place, New Delhi – 110019.

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 21<sup>st</sup> Annual General Meeting (AGM) of the Company being held on Thursday, the 15<sup>th</sup> day of September, 2016 at 11.00 a.m at 10<sup>th</sup> Floor, IFCI Tower 61, Nehru Place, New Delhi – 110019.

.....  
Signature of Shareholder / Proxy / Authorised Representative

# ROUTE MAP



Nearest Landmark : Opposite Nehru Place Metro Station



## DIRECTORS' REPORT

### TO THE MEMBERS

The Board of Directors of your Company have pleasure in presenting the 21<sup>st</sup> Annual Report of the Company together with the Audited Financial Statement of Accounts for the year ended on March 31, 2016.

### Financial Results

The Financial Results of your Company for the year under review are summarized as under:

Particulars	(Rs. in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Total Income	9,092.47	10,565.48
Financial Charges	5,706.22	7,013.82
Personnel and Other Expenses	1,274.94	1,132.88
Profit / (Loss) Before Provisions & Write-Offs	2,111.31	2,418.78
Provisions & Write-Offs	7,667.17	11,233.59
Profit / (Loss) Before Tax	(5,555.86)	(8,814.81)
Provision for Taxation	-	73.23
Deferred Tax	(1,188.52)	(2,931.92)
Profit/ (Loss) After Tax	(4,367.34)	(5,956.12)
Appropriations:		
Profit / (Loss) Brought down from Balance Sheet	(4,409.00)	1,557.00
Profit / (Loss) carried to Balance Sheet	(8,776.34)	(4,409.00)

### State of affairs of the Company

During the year under report, your Company continues to be a major provider of factoring services in India. The FY 2015-16 had been a tough year for your Company amidst the challenging macro-economic environment. The Banking and financial sector has been badly hit in the overall challenging macro-economic environment. During the year under report, your Company achieved a turnover of Rs.1,909.21 crore (a decline of 9% Y-O-Y) and a gross income of Rs.90.92 crore (a decline of 14% Y-O-Y). Further, your Company incurred a loss before tax of Rs.55.56 crore and a loss after tax of Rs.43.67 crore.

The Government has taken notable steps to address the economic slowdown. During the year, the Company has joined Credit Guarantee Fund Scheme for Factoring (CGFF), having a corpus of Rs. 500 crore, introduced by Ministry of Finance, to facilitate factoring transactions for MSMEs. The scheme has the advantage of motivating the companies to increase their lending to MSMEs against factored debts by partially sharing their risk and also an increase in actual availability of credit to MSMEs.

There is another scheme of Trade Receivables Discounting System (TReDS), designed by the RBI, that focuses on setting up and operating the institutional mechanism for facilitating the

financing of trade receivables from corporate and other buyers, including Govt. Departments and PSUs, through multiple financiers. The TReDS will provide the platform to bring these participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices / bills. Further, in view of passing of Banking & Insolvency Bill, 2016 your Company foresees strengthening of recovery mechanism and reduction in NPAs.

### **Certificate of Registration as NBFC-Factor**

Your Company holds a Certificate of Registration as NBFC-Factor issued by Reserve Bank of India to carry out the Factoring business. Your Company is thus classified as 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, 2016 and in view of the losses for the year, no dividend on Equity Shares has been recommended by the Board for Financial Year 2015-16. Further, on account of losses, the dividend on 9% Compulsory Convertible Cumulative Preference Shares amounting to Rs. 1,85,025/- for FY 2014-15, Rs. 6,75,34,200/- for FY 2015-16, 10% Compulsory Convertible Cumulative Preference Shares amounting to Rs. 5,05,68,264/- for FY 2015-16 stands accumulated to next year.

### **Transfer to Reserves**

Your Company has not transferred any amount to General Reserve in Financial Year 2015-16, as it has incurred a loss after tax of Rs. 55.56 crore.

### **Capital Structure / alteration of Share Capital**

The capital structure of your Company is given as under :

#### Authorized Share Capital

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

#### Issued, Subscribed and Paid-up

7,93,57,700 Equity Shares of Rs. 10/- each aggregating to Rs. 79,35,77,000/-  
7,50,38,000 9% Compulsory Convertible Cumulative Preference Shares of Rs. 10/- each aggregating to Rs. 75,03,80,000/-  
10,00,43,160 10% Compulsory Convertible Cumulative Preference Shares of Rs. 10/- each aggregating to Rs.1,00,04,31,600/-

During the Financial Year 2015-16, the Authorised Capital of your Company was increased from Rs. 300 crore to Rs. 400 crore. Further, during the year, your Company made Right Issue of Compulsory Convertible Cumulative Preference Shares ("CCCPS") in ratio of 1:1.3 and allotted

10,00,43,160 10% CCCPS of Rs. 10/- each, resulting in increase in the paid up capital of the Company from Rs. 1,543,957,000 to Rs. 2,544,388,600.

### **Change in status of your Company**

On account of IFCI Ltd., the holding company becoming a Government Company, in terms of the provisions of Section 2 (45) of the Companies Act, 2013 (Act) your Company has also become a Government Company with effect from April 7, 2015.

### **Directors and Key Managerial Personnel**

The Board of Directors of your Company at present consists of eight Directors including five Independent Directors, two Non-Executive Directors and one Managing Director.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Sudhir Garg, Director will retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

During the year under review:

- i) Mr. Satbir Singh, Deputy General Manager of IFCI Limited, the holding company, has been appointed as Managing Director w.e.f August 10, 2015 in place of Mr. Bikash Kanti Roy, whose nomination was withdrawn by IFCI Limited. The Directors place on record their deep appreciation for the valuable services rendered by Mr. Bikash Kanti Roy during his tenure as Managing Director.
- ii) Mr. Ankur Agarwal resigned as Company Secretary w.e.f. July 16, 2015 and Mr. Samir Raheja was appointed as Company Secretary w.e.f July 17, 2015.
- iii) Mr. Lalit Bansal resigned as Chief Financial officer w.e.f January 29, 2016 and Mr. Manish Jain was appointed as Chief Financial Officer w.e.f February 05, 2016.

### **Disclosure of Nomination & Remuneration Policy**

The Board has, on the recommendation of the Nomination & Remuneration Committee and in compliance of Section 178(3) of the Act framed a Nomination and Remuneration Policy for selection and appointment of Directors, Key Managerial Personnel, other employees and fixing their remuneration including the criteria for determining qualifications, positive attributes, independence of a director and related matters as provided under the aforesaid section. The Nomination and Remuneration policy is enclosed at Annexure – I.

### **Contracts or arrangements with Related Parties**

In accordance with Accounting Standard 18 issued by the Chartered Accountants of India, the transactions with Related Parties have been disclosed in Note no. 33 to the Notes to Accounts and as per Form No. AOC-2. The Policy on Related Party Transactions as approved by the Board of Directors and Form AOC-2 is enclosed as Annexure II. The said Policy is also uploaded on the website of your Company at [www.ifcifactors.com](http://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-III in the prescribed form MGT-9 and forms part of this Report.

### **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 IV 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.

Owing to continued losses and withdrawal of credit facility of Rs.50 crores availed by your Company from Deutsche Bank during the year, which had a significant impact on the operations, your Company could not spend any amount on CSR. In accordance with the Guidelines on CSR & Sustainability issued by the Department of Public Enterprises, your Company has deferred the CSR expenditure of Rs.95,24,260 (Rs. 32,49,348/- for the FY 2015-16 and Rs. 62,74,912/- for FY 2014-15).

### **Human Resource Development**

Your Company has continuously adopted structures that help attract the 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 witnessed a high attrition rate and in order to augment its headcount, your Company recruited two officers across various verticals. As on March 31, 2016, your Company had thirty nine employees on its roll vis-à-vis fifty one employees as on March 31, 2015.

### **Fixed Deposits**

During the Financial Year March 31, 2016, your Company has not accepted any deposits from the public.

### **Number of meetings of the Board**

The Board meets at regular intervals and the intervening gap between the Meetings during the Financial Year 2015-16 was within the period prescribed under the Companies Act, 2013. The Board met six times in the Financial Year 2015-16 viz., on April 30, 2015, July 30 2015, August 12, 2015, September 08, 2015, October 23, 2015 and February 05, 2016. The maximum interval between any two meetings did not exceed one hundred and twenty one days.

### **Composition of Audit Committee**

Your Company has in place an Audit Committee of Directors in compliance with the provisions of Companies Act, 2013. 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 Committee.

### **Board Evaluation**

In compliance with the provisions of the Companies Act, 2013, the Board of Directors and Nomination and Remuneration Committee (NRC) has put in place the framework for the Board Evaluation, Evaluation of Board Level Committees, Self - Evaluation and also the Evaluation of Chairman's performance.

The performance evaluation of the Chairman, Board, its Committees and individual Directors was conducted. The same was based on feedback from all the Directors on the Board as a whole, Committees and individual evaluation. Based on the feedback, the performance was evaluated in the Meetings of NRC, Independent Directors and the Board.

### **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. During the Financial Year 2015-16, your Company has not received any complaints on sexual harassment.

### **Documents Placed on the Website at [www.ifcifactors.com](http://www.ifcifactors.com)**

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

- Details of our contact information of Investor Grievance Officer
- Details of unpaid dividend
- Contact details of Debenture Trustees
- Corporate Social Responsibility Policy
- Financial Statements
- Details of Vigil Mechanism for directors and employees
- The terms and conditions of appointment of Independent Directors
- The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
- Related Party Transactions Policy
- Policy on Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013

- Document Handling and Preservation Policy
- Code of Business Conduct and Ethics for Board and Senior Management
- Disclosures to the Stock Exchange

### **Independent Directors' Declaration**

Your Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under Sec 149 of the Companies Act, 2013.

### **Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013 ('Act'), and based on the representations received from the management, the directors hereby confirm that:

- i. in the preparation of the annual accounts for the Financial Year 2015-16, 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 the financial year;
- iii. the directors had taken proper and sufficient care to the best of their knowledge and ability 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; and
- 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.

### **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 except for Sub-Section (1)] of the Companies Act, 2013 are not applicable to the Company.

### **Internal Control**

Your Company has laid down a set of standards, processes and structure which enable implementing internal financial control across the organization and ensure that the same are adequate and operating effectively.

## **Secretarial Audit Report**

The Board of Directors of the Company appointed M/s. Poonam Ahuja & Associates, Practising Company Secretaries, to conduct the Secretarial Audit and their Report on Company's Secretarial Audit is enclosed as Annexure V. Further, there were no qualification(s) or observation(s) or other remarks made by the Secretarial Auditors in the Secretarial Audit Report for the Financial Year 2015-16.

## **Risk Management**

Your Company has in place approved Risk Management Policies wherein all material risks faced by your Company are identified and assessed. Further, Risk Management is overseen by the Risk 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 behavior, 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 at [www.ifcifactors.com](http://www.ifcifactors.com).

## **Subsidiaries/ Joint Venture/ Associate**

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

## **Ratings for Term Borrowings**

Your Company's borrowings have been assigned the following ratings by Credit Analysis & Research Ltd. (CARE) and Brickwork:

<b>Facilities Rating Agency</b>	<b>Rating</b>	<b>Remarks</b>
*Long-term Bank Facilities	<u>CARE Rating</u> Care A1- (SO) [Single A Minus (structured obligation)]	Reaffirmed
*Short-Term Bank Facilities	<u>CARE Rating</u> Care A (SO) [A One (Structured Obligation)]	Reaffirmed
Long Term instruments (NCD)	<u>CARE Rating</u> Care BBB (Triple B) <u>Brickwork</u> BWR A- (BWRA Minus)	Reaffirmed

\*backed by Letter of Comfort from IFCI Ltd.

### **Statutory Auditors & Auditors' Report**

The Comptroller and Auditor General of India (C&AG) had appointed M/s. Chandiwala Virmani and Associates (DE0155) (Firm Regd. No. 000082N), as Statutory Auditors of your Company for the Financial Year 2015-16. There were no qualification(s) or observation(s) or other remarks made by the Statutory Auditors in the Independent Auditor's Report on the Financial Statements for the year ended March 31, 2016.

Your Company has received no comments from the C&AG under Section 143 (6) of the Companies Act, 2013 on the Financial Statements for the year ended March 31, 2016. The no review report received from C&AG is enclosed as Annexure VI.

The Comptroller and Auditor General of India (C&AG) had appointed M/s. Chandiwala Virmani and Associates (DE0155) (Firm Regd. No. 000082N), as Statutory Auditors of your Company for the Financial Year 2016-17.

### **Corporate Governance**

The report on Corporate Governance is appended herewith is enclosed 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 was no foreign earning and expenditure in foreign exchange was Rs.99,74,773/-



## **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

Date : 30.07.2016  
Place : New Delhi

Sudhir Garg  
Director  
DIN: 06777363

Satbir Singh  
Managing Director  
DIN :06887978

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

**Nomination and Remuneration Policy**

**1. Background**

- 1.1** The objective of Nomination and Remuneration Policy is to ensure rationale and objectivity in the remuneration of the Directors, Senior Management & employees of the Company. The Policy also intends to bring in a pragmatic methodology in screening of candidates who may be recommended to the position of Directors and to establish effective evaluation criteria to evaluate the performance of every Director and the overall Board of the Company.
- 1.2** The Policy also intends to prevent the Board of Directors degenerating into a closed and narrow entity, in which incumbent members appoint their own kind.
- 1.3** The Policy also serves as a guiding principle to ensure good Corporate Governance as well as to provide sustainability to the Board of Directors of the Company.

**2. Framework**

- 2.1** The requirement of formulating a Nomination and Remuneration Policy stems out from the provisions of the Companies Act, 2013, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.
- 2.2** References have also been made to the Guidelines of Reserve Bank of India Corporate Governance Norms for NBFCs as prescribed by RBI and amended from time to time.
- 2.3** Any other Law and Statute as may be applicable for the time being in force.

**3. Objective**

- 3.1** To identify suitable persons, interview them, if necessary, and recommend them as suitable candidates to fill up vacancies on the Board or augment the Board and Senior Management.
- 3.2** To develop a policy to ensure the optimum composition of the Board of Directors ensuring a mix of knowledge, experience and expertise from diversified fields of knowledge i.e. Policy on Board Diversity. The Policy also intends to add professionalism and objectivity in the process of deciding Board membership.
- 3.3** To lay down criteria for the evaluation of the Board.
- 3.4** To formulate a criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a Policy thereon.

**3.5** To formulate criteria for evaluation of Directors.

**4. Eligibility Criteria for recommending a candidate to be appointed on the Board of Directors.**

The Nomination and Remuneration Committee may consider the following parameters while considering the credentials of potential candidates for Directorship in the Company.

**4.1 Educational Qualification:**

- Possess any Graduation/ Post Graduation/ M, Phil / Doctorate
- Possess any other Professional Qualification / Degree/ Diploma

**4.2 Experience / Expertise**

- To possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.
- The candidate should preferably have undergone requisite training programme or mid - career Professional Development trainings which would have enabled him/her to adapt to changing dynamics of business environment.

**4.3 Disqualifications**

- The Candidate should not be of unsound mind.
- The Candidate should not be an undischarged insolvent.
- The Candidate must not have applied to be adjudicated as an insolvent and his application must not be pending.
- The Candidate must not have been convicted by a Court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six (6) months.
- There must not be any order passed by Court or Tribunal disqualifying a person to be appointed as a Director.
- There should not be any calls in respect of any shares of the Company held by him, whether alone or jointly with others, and six months must not have elapsed from the last date fixed for the payment of the call.
- The Candidate must not have been convicted of the offence dealing with related party transactions under Section 188 of the Companies Act, 2013 at any time during the last preceding five (5) years.
- The Candidate must be holding his Director Identification Number (DIN).
- The Candidate is not or has not been a Director of a Company which has not filed Financial Statements or Annual Returns for any continuous three (3) financial years.

- The Candidate is not or has not been a Director of the Company which has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more.
- The Candidate should not have been found guilty of any offence consisting of violation of Rules/ Regulations/ Legislative requirements by Customs/ Excise/ Income Tax Authority/ Foreign Exchange/ Other Revenue Authorities.

#### **4.4 Other Eligibility Criteria**

- Each director must be an individual of high personal and professional integrity and ethical character.
- The candidate should have exhibited behavior that indicates he or she is committed to the highest ethical standards.
- The candidate should not deprive the Company of any opportunity that belongs to the Company.
- He should not be in a position of diverting the corporate opportunity for own benefits or to others, to the detriment of the Company.
- The candidate must not at any time compete with the company in respect of any business transaction.
- Each director must possess the ability to exercise sound business judgment on a broad range of issues.
- The candidate has preferably had business, governmental, non-profit or professional experience at the Chairman, Chief Executive Officer, Chief Operating Officer or equivalent policy-making and operational level of a large organization that indicates that the candidate will be able to make a meaningful and immediate contribution to the Board's discussion and decision-making on the array of complex issues facing a large financial services business.
- The candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- The Nomination and Remuneration Committee must be satisfied that the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Company's shareholders and other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency.
- The Nomination and Remuneration Committee must satisfy itself that the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a Director.

#### **4.5 Fit and Proper Criteria**

The Nomination and Remuneration Committee shall undertake a process of Due Diligence based on the criteria of qualifications, technical expertise, track record,

integrity etc. The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as approved by the Nomination and Remuneration Committee to enable the Committee to undertake such exercise of ensuring the '**Fit and Proper Criteria**'.

The Committee shall undertake such Due Diligence exercise at the time of appointment as well as the time of renewal of the Directorships of the incumbent. The indicative criteria for determining the '**fit and proper**' criteria forms part of the Policy.

#### **4.6 Criteria For Independence – For Directors to be appointed as Independent Director on Board of the Company**

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (e) who, neither himself nor any of his relatives—
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

- (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
  - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or
  - (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- (f) who possesses such other qualifications as may be prescribed.

***Explanation.—For the purposes of this section, "nominee director" means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.***

## **5. Remuneration Policy**

### **I. Board Level Remuneration Structure**

1. **For Executive Directors (MD and Whole-Time Director)** - The remuneration will be paid as approved from time to time subject to the approval of the Board and Shareholders, as the case may be, and as per the applicable provisions of Companies Act, 2013 and under any other Act/ Rules/ Regulations for the time being in force.
2. **In case of Non-Executive / Independent Directors**
  - (i) **Sitting Fees** – The Non-Executive/Independent Directors shall be paid sitting fees for attending each meeting of the Board and various Committee/s of Directors. The Sitting Fees may be determined/ revised by the Board of Directors from time to time subject to the overall limits as prescribed under the applicable provisions of the Companies Act, 2013.

Presently, Sitting Fees for the Non-Executive/Independent Director is Rs. 12,000/- for attending each Meeting of the Board and Rs. 7,500/- for attending each Meeting of various Committee/s of Directors.

### **II. In case of Key Managerial Personnel and other Employees –**

1. The pay structure of all the regular employees shall be as per the pay scale which was made effective w.e.f. November 1, 2013 including any amendment thereto from time to time. In all other cases, all the regular employees will be

governed by IFCI Factors Ltd. Staff Regulation Policy, as amended from time to time.

2. The pay structure of employees on contracts/retainership shall be decided by the Board of Directors from time to time. For this, reference may be drawn from the Reserve Bank of India pay scale (starting of the scales).

**The Performance Linked Incentives both for the Board and Senior Management / Other employees shall be as per the Board Approved scheme on recommendation of the Nomination and Remuneration Committee.**

## **6. Monitoring and Evaluation**

The Nomination and Remuneration Committee shall evaluate the performance of the Directors and the overall Board broadly on the basis of below mentioned criteria:

- Whether the Directors / Board have acted in accordance with the provisions of the Articles of Association of the Company.
- The Committee shall assemble all information regarding a candidate's background and qualifications to determine if the candidate possesses or satisfies the minimum skills and qualifications that a director must possess.
- The Committee shall evaluate a candidate's mix of skills and qualifications and determine the contribution the candidate could be expected to make to the overall functioning of the Board.
- The Committee shall give due consideration to the overall Board balance of diversity of perspectives, backgrounds and experiences.
- With respect to current directors, the Committee shall consider past attendance at meetings and assess the participation in and contributions to the activities of the Board.
- Whether the Directors / Board have acted in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the Community and for the protection of environment.
- Whether the Director / Board has exercised their duties with due and reasonable care, skill and diligence and whether the Director / Board have exercised independent judgment.
- Whether the Director / Board have involved in a situation in which he / they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- The Committee shall recommend director to the Board based on its assessment of overall suitability to serve on the Board in accordance with this Policy.

## **7. Board Diversity**

- The Nomination and remuneration Committee shall ensure that the Board comprises of Directors from diversified fields of knowledge and experience.

- The Board should have Directors who can add professionalism and objectivity in the decision making process.
- The overall Board should reflect representatives from areas like finance, law, accountancy, economics, administration and other disciplines concerning the operational interests of the Company at large.

For and on behalf of the Board of Directors

Date : 30.07.2016  
Place : New Delhi

Sudhir Garg  
Director  
Din: 06777363

Satbir Singh  
Managing Director  
DIN : 06887978

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



**Form AOC-2**

**Annexure-II**

[pursuant to section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of Companies (Accounts) Rules, 2014]

1. Details of contracts or arrangements or transactions not at arm's length basis

SI.No.	Name of the Related Party and nature of Relationship	Nature of contracts /arrangements/ transaction	Duration of contracts/arrangements/ transactions	Salient features of contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board, if any	Amount paid as advances, if any	Date on which special resolution was passed in general meeting u/s 188(1)(h)
				Not Applicable				

2. Details of material contracts or arrangement or transactions at arm's length basis

SI.No.	Name of the Related Party and nature of Relationship	Nature of contracts /arrangements/ Transaction	Duration of contracts/arrangements/ transactions	Salient features of contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	* Date(s) of approval by the Board, if any (* Not required under Sec.188 of Companies Act, 2013)	Amount paid as advances, if any	Date on which special resolution was passed in general meeting u/s 188(1)(h)
1.	IFCI Limited	Lease	Agreement for 11 months	Rent @ Rs.232 per sq.foot per month plus taxes	Normal business transaction	N.A	Advance payable before 7 <sup>th</sup> of every month	N.A
2.	IFCI Limited	Loan	Three years	Stand by revolving Credit Facility availed	Normal business transaction	N.A	N.A	N.A
3.	IFCI Limited	Interest Repayment on credit facility	Three years	ROI on credit facility @12.70% p.a	Normal business transaction	N.A	N.A	N.A
4.	Mr.Satbir Singh, Managing Director	Deputed by IFCI Limited	1 year	On Deputation from IFCI Limited	On Deputation from IFCI Limited	N.A	N.A	N.A

5.	IFCI Limited	Other Expenses (R&M, Telephone, Oracle, RFA(Delhi) etc.	Normal business transaction	Normal business transaction	Normal business transaction	N.A	N.A	N.A
6.	Remuneration of Mr. Lalit Bansal, CFO, Mr. Ankur Agarwal, CS, Mr. Samir Raheja CS & Mr. Manish Jain, CFO	Key Managerial Personnel	Appointed by the Board	Acting as KVIPS	Appointed by the Board	N.A	N.A	N.A

For and on behalf of the Board of Directors

Date: 30.07.2016  
Place : New Delhi

Sudhir Garg  
Director  
Din: 06777363

Satbir Singh  
Managing Director  
DIN : 06887978

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

## **Policy on Related Party Transactions**

### **Introduction**

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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-* For the purpose of this clause, "significant influence" means control of at least 20% of total share capital, or of business decisions under an agreement.

**"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.

**"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 company 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;

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 party]

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

**Related Party / Parties** are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

**"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**

Control has been defined as – (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or

(b) Control of the composition of the Board of Directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or

(c) a substantial interest in voting and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

**"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.

## **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 subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **Identification of Potential Related Party Transactions**

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### **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. Audit Committee / Board Level Pre-requisites**

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.

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### **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 a KMP, without obtaining the consent of the Board or approval by a resolution in the

general meeting as required 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 shall be voidable at the option of the Audit Committee / Board.

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

Date: 30.07.2016  
Place : New Delhi

Sudhir Garg  
Director  
Din: 06777363

Satbir Singh  
Managing Director  
DIN : 06887978

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

## ANNEXURE-III

## FORM MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2016

[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: 91 11 4164 2840  Fax: +91-11-4652 1435-36  email: <a href="mailto:samir@ifcifactors.com">samir@ifcifactors.com</a>
6.	Whether listed company Yes / No	Yes (Debentures 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 electronic 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	81%
2.	Corporate Loans	64920	19%

### 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	99.89%	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	
<b>A.Promoters</b>	-	-	-	-	-	-	-	-	-
<b>(1)Indian</b>	-	-	-	-	-	-	-	-	-
a)Individual/HUF	8	-	8	0.00	8	-	8	0.00	-
b)Central Govt.	-	-	-	-	-	-	-	-	-
c)State Govt.	-	-	-	-	-	-	-	-	-
d)Bodies Corporate	-	-	-	-	-	-	-	-	-
e)Bank/FI	7,91,54,692	-	7,91,54,692	99.74	7,91,54,692	-	7,91,54,692	99.74	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL:(A) (1)</b>	7,91,54,700	-	7,91,54,700	99.74	7,91,54,700	-	7,91,54,700	99.74	-
<b>(2)Foreign</b>									
a)NRIs-Individuals	-	-	-	-	-	-	-	-	-

b)Other Individuals	-	-	-	-	-	-	-	-	-
c)Bodies Corporate	-	-	-	-	-	-	-	-	-
d)Banks/FI	-	-	-	-	-	-	-	-	-
e)Any other	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL:(A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter (A)= (A)(1)+(A) (2)</b>	7,91,54,700	-	7,91,54,700	99.74	7,91,54,700	-	7,91,54,700	99.74	-
<b>B.PUBLIC SHAREHOLDING</b>									
(1)Institutions	-	-	-	-	-	-	-	-	-
a)Mutual Funds	-	-	-	-	-	-	-	-	-
b)Banks/FI	-	-	-	-	-	-	-	-	-
c)Central Govt.	-	-	-	-	-	-	-	-	-
d)State Govt.	-	-	-	-	-	-	-	-	-
e)Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)Insurance Companies	-	-	-	-	-	-	-	-	-
g)FIIs	-	-	-	-	-	-	-	-	-
h)Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i)Other Specify	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B) (1): (2)Non Institutions</b>	-	-	-	-	-	-	-	-	-
a)Bodies Corporate	-	90,000	90,000	0.11	-	90,000	90,000	0.11	-
i)Indian	-	-	-	-	-	-	-	-	-
ii)Overseas	-	-	-	-	-	-	-	-	-

b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh	-	80,000	80,000	0.10	-	80,000	80,000	0.10	
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	33,000	-	33,000	0.04	33,000	-	33,000	0.04	
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B) (2):</b>	33,000	1,70,000	2,03,000	0.25	33,000	1,70,000	2,03,000	0.25	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	33,000	1,70,000	2,03,000	0.25	33,000	1,70,000	2,03,000	0.25	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	7,91,87,700	1,70,000	7,93,57,700	100	7,91,87,700	1,70,000	7,93,57,700	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*	7,91,54,700	99.74%	-	7,91,54,700	99.74%	-	-
Total	7,91,54,700	99.74%	-	7,91,54,700	99.74%	-	-

\*Including 8 shares held by nominees of IFCI Ltd.

**III. Change in Promoters' Shareholding (please specify, if there is no change)**

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	7,91,54,700	99.74%	No change	
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)	-	-	No change	
iii.	At the end of the year	7,91,54,700	99.74%	No change	

**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 01.04.2015		Change in shareholding during the year		Shareholding at the end of the year as on 31.3.2016	
		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.	Puri Constructions Pvt Ltd.	90000	0.11	Nil	Nil	90000	0.11
2.	Mr. Brij Kapoor	33000	0.04	Nil	Nil	33000	0.04
3.	Mr. Sushant Chabra	10000	0.01	Nil	Nil	10000	0.01
4.	Mr. Sanjay Kumar	5000	0.01	Nil	Nil	5000	0.01
5.	Mr. Vijay Roop Chand	10000	0.01	Nil	Nil	10000	0.01
6.	Mr. Daljit Singh	10000	0.01	Nil	Nil	10000	0.01
7.	Mrs. Deep Kaur	10000	0.01	Nil	Nil	10000	0.01
8.	Mr. GP Singh	10000	0.01	Nil	Nil	10000	0.01
9.	Mr. Amit Vadhera	5000	0.01	Nil	Nil	5000	0.01
10.	Mr. A.K. Mehta	5000	0.01	Nil	Nil	5000	0.01
11.	Mr. Bal Krishna Jaggi	5000	0.01	Nil	Nil	5000	0.01
12.	Mr. Rishi Talwar	5000	0.01	Nil	Nil	5000	0.01

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

Sl. No.	For Each of the Directors & KMP	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
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

**VI. Indebtedness:**

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

(Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year (01.04.2015)</b>				
i) Principal Amount	4,004,164,269	1,746,032,386	-	5,750,196,655
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	85,190,172	75,747,939	-	160,938,111
<b>TOTAL (i+ii+iii)</b>	<b>4,08,93,54,441</b>	<b>1,82,17,80,325</b>	<b>-</b>	<b>5,911,134,766</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	145,746,928	-	-	145,746,928
Reduction	-	496,032,390	-	496,032,390
Exchange Difference	-	-	-	-
<b>Net Change</b>	<b>145,746,928</b>	<b>496,032,390</b>	<b>-</b>	<b>(350,285,462)</b>
<b>Indebtedness at the end of the financial year (31.03.2016)</b>				
i) Principal Amount	4,135,542,679	1,250,000,000	-	5,385,542,679
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	99,558,690	75,747,935	-	175,306,625
<b>TOTAL (i+ii+iii)</b>	<b>4,235,101,369</b>	<b>1,325,747,935</b>	<b>-</b>	<b>5,560,849,304</b>



## 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)	*Mr. Satbir Singh (Managing Director)
1	Gross Salary			
	1(a)	Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	7,77,395	1,44,4879
	1(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	2,29,957	3,55,127
	1(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	80,772	70,187
2	Stock Option		-	-
3	Sweat Equity		-	-
4	Commission		-	-
	-as a % of profit		-	-
	-others (specify)		-	-
5	Others, please specify : Retirement Benefits		-	-
	<b>Total</b>		<b>10,88,123</b>	<b>18,70,193</b>

\*Mr. Bikash Kanti Roy ceased as Managing Director w.e.f August 10, 2015 and Mr. Satbir Singh was appointed as Managing Director from the said date.

### B. Remuneration to other directors:

(Amount in Rs.)

S No.	Name of the Directors	Fee for attending board/ committee meetings	Commission	Total
1.	Mr. Shrawan Nigam	1,80,000	-	1,80,000
2.	Mr. Vinod Kumar Gupta	1,14,000	-	1,14,000
3.	Mr. Ajoy Kumar Deb	2,44,500	-	2,44,500
4.	* Mr. Sudhir Garg	2,55,000	-	2,55,000
4.	Mr. Rajib Sekhar Sahoo	39,000	-	39,000
5.	Mrs. Bandana Mukhopadhyay	72,000	-	72,000

\*Sitting fees is being paid to IFCI Ltd.

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

(Amount in Rs.)

Sr. No	Particulars of Remuneration		Key Managerial Personnel			
			Company Secretary (CS) (Mr. Ankur Agarwal Upto July 16, 2015)	Company Secretary (CS) (Mr. Samir Raheja w.e.f. July17, 2015)	Chief Financial Officer (CFO) (Mr. Lalit Bansal upto) January 27, 2016)	Chief Financial Officer (CFO) (Mr. Manish Jain w.e.f Feb 05, 2016)
1.	Gross Salary					
	1(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,87,620	5,46,907	9,42,585	2,20,039
	1(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	87,471	87,211	2,59,682	33,805
	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 : Retirement Benefits		-	-	-	-
	<b>Total</b>		<b>2,75,091</b>	<b>6,34,118</b>	<b>12,02,267</b>	<b>2,53,844</b>

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

For and on behalf of the Board of Directors

Date: 30.07.2016  
Place : New Delhi

Sudhir Garg  
Director  
DIN: 06777363

Satbir Singh  
Managing Director  
DIN : 06887978

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

## **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 are:

Mr. Ajoy Kumar Deb, Independent Director as Chairman

Mr. Sudhir Garg, Non-Independent Director as Member

Mr. Satbir Singh, Managing Director as Member

### 3. Average Net Profit of the Company for last three financial years

The Average Net Profit in accordance with the provisions of Section 198 of the Companies Act, 2013 read with rules made thereunder for the immediately three preceding years is Rs.16,24,67,417.

### 4. Prescribed CSR Expenditure (two percent of the amount as in Item 3 above):

Rs. 32,49,348

### 5. Details of CSR Activities/Projects undertaken during the year:

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

Rs.95,24,260 ( including Rs.62,74,912 for the Financial Year 2014-15)

#### b. Amount unspent, if any: Rs.95,24,260/-

#### 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 1. Local area/ others 2. Specify the state and district where project/ Programme was undertaken	Amount outlay (budget) project or Programme wise (in Rs.)	Amount spent on the project/ programme	Cumulative expenditure upto to the reporting period (in Rs.)	Amount spent: Direct/ through implementing agency*
					1.Direct expenditure on project or programmes 2.Overheads (in Rs.)		
-	-	-	-	-	-	-	-

**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 and withdrawal of credit facility availed from Deutsche Bank during the Financial Year 2015-16, which had a significant impact on the operations of the Company, the Company could not spend any amount towards CSR expenditure. In compliance with the CSR & Sustainability Guidelines issued by the Department of Public Enterprises the Company has deferred the CSR expenditure of Rs.95,24,260 (Rs.32,49,348 for Financial Year 2015-16 and Rs.62,74,912 for the Financial Year 2014-15).

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014, Mr. Satbir Singh, Managing Director and Mr. Ajoy Kumar Deb, Chairman of CSR Committee, do confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

Date : 30.07.2016  
Place : New Delhi

Satbir Singh  
Managing Director  
DIN 06887978

Ajoy Kumar Deb  
Chairman of the CSR Committee  
DIN 02691119

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

FORM NO. MR-3  
SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016  
[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,  
IFCI Tower, 10th Floor,  
61, Nehru Place,  
New Delhi 110 019, India.


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 our opinion thereon.

Based on our verification of IFCI Factors Limited's 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 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has 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 for the financial year ended on 31<sup>st</sup> March, 2016, according to the provisions of:

- (i). The Companies Act, 2013 (the Act) and the rules made thereunder; The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under.
- (ii). The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.
- (iii). 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;
- (iv). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

For POONAM AHUJA & ASSOCIATES

  
Prop.

- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective from May 15, 2015);
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. (Not Applicable to the Company during the Audit Period);
  - d. 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);
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. 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 (Not Applicable to the Company during the Audit Period);
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period); and
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);
  - i. Listing Agreement for Debt Securities and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective from December 01, 2015);
  - j. The Factoring Regulation Act, 2011;
  - k. All the relevant Circulars and Guidelines of Reserve Bank of India applicable to the Company and other laws applicable to the Company
- (vi) We have also examined compliance with the applicable clauses of the following:
- i. Secretarial Standards issued by The Institute of Company secretaries of India (effective from July 1<sup>st</sup>, 2015 onwards).
  - ii. Listing Agreements entered into by the Company with BSE Limited

During the period under review and as per the explanations and clarifications given to us and the representations made by the management, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

- (i). The Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Non-Executive 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,

For POONAM AHUJA & ASSOCIATES

- (ii). Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent to Directors at least seven days in advance, 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.
- (iii). Majority decisions are carried out with the unanimous consent, so therefore dissenting members' views are not required to be captured and recorded as part of the minutes.
- (iv). 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.

We further report that on the basis of information received and record maintained by the company during the audit period, the Company has issued and allotted 10,00,43,160 10% Compulsory Convertible Cumulative Preference Shares of Rs. 10/- each aggregating to Rs.1,000,431,600.

FOR POONAM AHUJA & ASSOCIATES  
COMPANY SECRETARIES

For POONAM AHUJA & ASSOCIATES

Dr. (CS) POONAM AHUJA

FCS No. 4705

C. P. No.: 6586

Date: 15<sup>th</sup> July, 2016

Place: New Delhi

Prop.

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.



**'Annexure A'**

To,  
The Members,  
**IFCI Factors Limited**  
10<sup>th</sup> Floor, IFCI Tower,  
61, Nehru Place,  
New Delhi - 110019

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

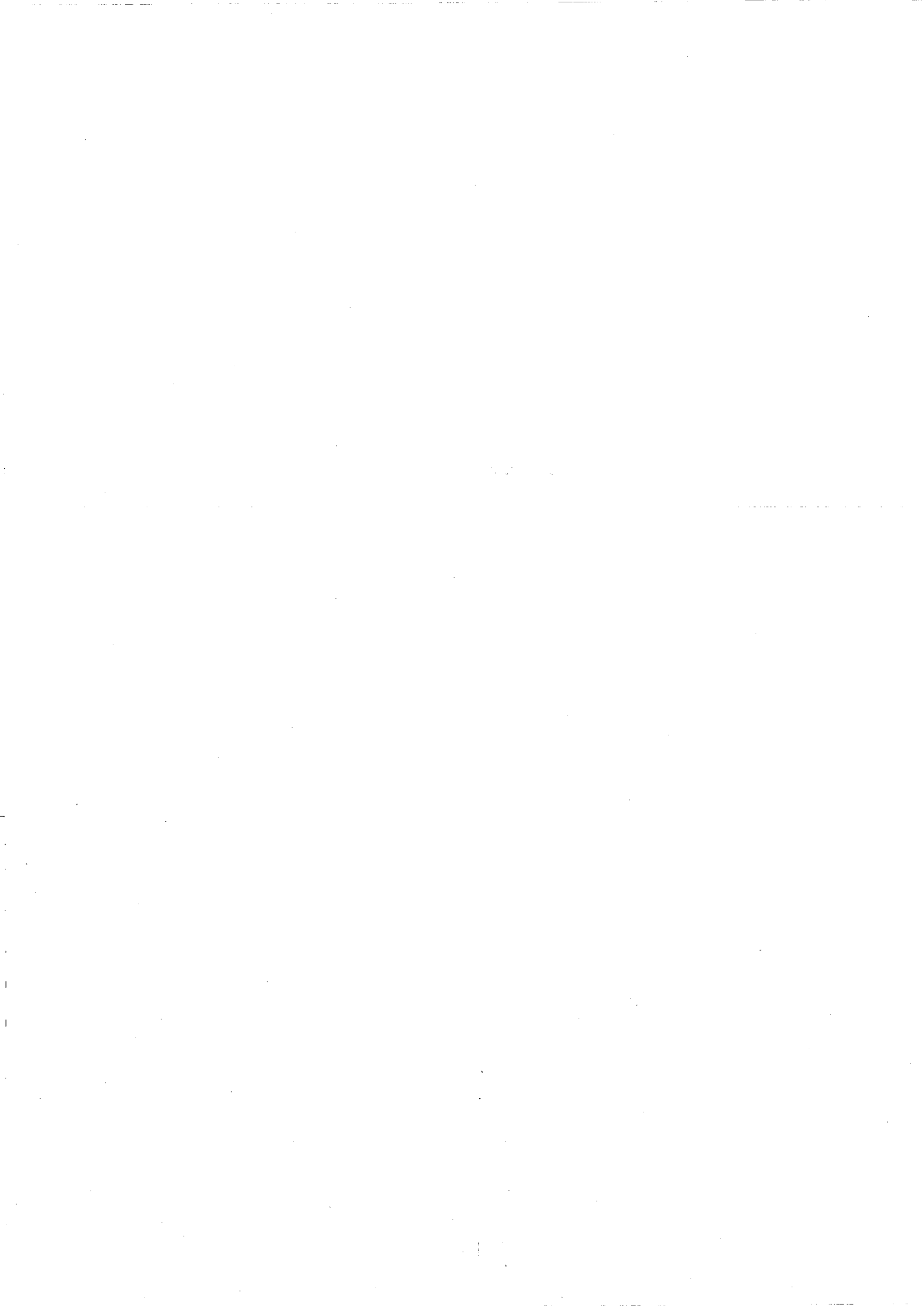
1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness 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 POONAM AHUJA & ASSOCIATES**  
**COMPANY SECRETARIES**

For **POONAM AHUJA & ASSOCIATES**

*WJ*  
Dr. (CS) POONAM AHUJA **Prop.**  
FCS No. 4705  
C. P. No.: 6586

Date: 15<sup>th</sup> July, 2016  
Place: New Delhi



**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  
2016.**

The preparation of financial statements of IFCI Factors Limited for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) 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 April 29, 2016.

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 2016 under section 143(6)(b) of the Act.

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

  
(Suparna Deb)

Principal Director of Commercial Audit  
& Ex-officio Member, Audit Board-II,  
New Delhi

Place: Delhi  
Date: 31.05.2016



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 endeavors 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, 2016, the Board of the Company consisted of eight Directors, out of whom five are Independent Directors including one Woman Director, two Directors are Non-Executive 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, 2016 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 08, 2015	Other directorships	Committee Memberships	Committee Chairmanships
			Held	Attended				
1.	Mr. Malay Mukherjee	Non-Executive Chairman	6	6	Yes	6	-	-
2.	Mr. Sudhir Garg	Non-Executive Director	6	5	Yes	5	2	-
3.	Mr. Shrawan Nigam	Non-Executive-Independent Director	6	5	No	1	-	-
4.	Mr. Vinod Kumar Gupta	Non-Executive-Independent Director	6	2	No	-	-	-
5.	Mr. Ajoy Kumar Deb	Non-Executive-Independent Director	6	6	Yes	3	1	-

6.	Mr. Rajib Sekhar Sahoo	Non-Executive-Independent Director	6	2	No	2	-	-
7.	Mrs. Bandana Mukhopadhyay	Non-Executive-Independent Director	6	6	Yes	-	-	-
8.	*Mr. Satbir Singh	Managing Director	4	4	Yes	-	-	-
9.	*Mr. Bikash Kanit Roy	Managing Director	2	2	N.A	-	-	-

\* Mr. Bikash Kanti Roy ceased to be Managing Director w.e.f. August 10, 2015 and Mr. Satbir Singh was appointed as Managing Director from the said date.

**Notes:**

- Number of Meetings represents the Meetings held during the period in which the Director was member of the Board.
- The details of Committee include only the Audit Committee and Stakeholders' Relationship Committee.
- 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.
- Number of other Directorship is exclusive of Companies under Section 8 of the Companies Act, 2013.

The Board met six times during the Financial Year 2015-2016 viz., on April 30, 2015, July 30 2015, August 12, 2015, September 08, 2015, October 23, 2015 and February 05, 2016. The maximum interval between any two meetings did not exceed one hundred and twenty days.

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

Mr. Sudhir Garg aged 63 Years is a Non-Executive and Non- Independent Director of the Company. He is a Postgraduate in Commerce from Delhi University and holds CAIIB and Industrial Finance Certificate (IFC) from Indian Institute of Bankers. He is seasoned banker having experience of around 38 years in the banking sector. In 2012, he retired as the Chief General Manager of State Bank of Hyderabad and has acted as the Branch Head of the Bank at Ahmadabad, Chennai, New Delhi, DGM, Commercial Branch, Delhi zone and as the Controller of a Region controlling 45 branches of the Bank. Besides, he also acted as the Controller of Regional head & CEO-SBI, Johannesburg heading SBI, South Africa, and General Manager-Business Head, Treasury & Credit, State Bank of Patiala. He is also on the Board of IFCI Venture Capital Funds Limited, Stock Holding Corporation of India Limited, Alok Industries Limited, Vadinar Oil Terminal Limited, Essar Oil Limited and Raichur Power Corporation Limited. He is a member of Audit Committee, Executive Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Recovery & NPA Management Committee, Risk Management Committee of IFCI Venture Capital Funds Limited. He is member of Audit Committee, Risk Management Committee & Corporate Social Responsibility Committee of Stock Holding Corporation of India 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.

## **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 Chairman of the Committee is an Independent Director. The Audit Committee met four times during the Financial year 2015-16 at regular intervals on 30<sup>th</sup> April, 2015, 30<sup>th</sup> July, 2015, 23<sup>rd</sup> October, 2015 and 5<sup>th</sup> February, 2016 and not more than four months lapsed between two consecutive meetings. In addition the Statutory Auditors, Internal Auditors also attend the Audit Committee meetings The composition of the Audit Committee and attendance of Directors as on March 31, 2016 is shown below:

Name/ category	Position in Audit Committee	No. of meetings during the tenure of member	
		Held	Attended
Mr. Rajib Sekhar Sahoo Independent Director	Chairman	4	2
Mr. Shrawan Nigam Independent Director	Member	4	3
Mr. Vinod Kumar Gupta Independent Director	Member	4	2
Mr. Ajoy Kumar Deb Independent Director	Member	4	4
Mr. Sudhir Garg Non-Executive Director	Member	4	4

## **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**

The Chairman of the Committee is an Independent Director. During the Financial Year 2015-16, Four meetings of Nomination and Remuneration Committee were held on April 23, 2015, July 17, 2015, August 06, 2015 and February 05, 2016. The composition of the Nomination and Remuneration Committee and attendance of Directors as on March 31, 2016 is shown below:

Name/ category	Position in Committee	No. of meetings during the tenure of member	
		Held	Attended
Mr. Vinod K. Gupta Independent Director	Chairman	4	3
Mr. Shrawan Nigam Independent Director	Member	4	2
Mr. Ajoy Kumar Deb Independent Director	Member	4	4
Mr. Sudhir Garg Non-Executive Director	Member	4	4

### Details of remuneration paid to Directors

The details of salary and sitting fees paid to the Directors for the year ended 31st March, 2016 are as under: (Amount in Rs.)

Sl. No.	Name	Salary	Perquisite	Profit In lieu of Salary	Sitting Fees	Total
1.	Mr. Malay Mukherjee Non-Executive Chairman	-	-	-	-	-
2.	*Mr. Sudhir Garg Non-Executive Director	-	-	-	255,000	255,000
3.	Mr. Shrawan Nigam Non-Executive- Independent Director	-	-	-	180,000	180,000
4.	Mr. Vinod Kumar Gupta Non-Executive- Independent Director	-	-	-	114,000	114,000
5.	Mr. Ajoy Kumar Deb Non-Executive- Independent Director	-	-	-	244,500	244,500
6.	Mr. Rajib Sekhar Sahoo Non-Executive- Independent Director	-	-	-	39,000	39,000
7.	Mrs. Bandana Mukhopadhyay Non-Executive- Independent Director	-	-	-	72,000	72,000
8.	**Mr. Satbir Singh Managing Director	14,44,879	3,55,127	70,187	-	18,70,193
9.	**Mr. Bikash Kanti Roy	7,77,395	2,29,956	80,772	-	10,88,123

\*Sitting fees is being paid to IFCI Ltd.

\*\*Mr. Bikash Kanti Roy ceased to be Managing Director w.e.f. August 10, 2015 and Mr. Satbir Singh was appointed as Managing Director from the said date.



#### 4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

##### TERMS OF REFERENCE

The terms of reference of the Corporate Social Responsibility Committee are to formulate and recommend to the Board, a Corporate Social Responsibility Policy, to recommend 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

The Chairman of the Committee is an Independent Director. During the Financial Year 2015-16, the CSR Committee of Directors met once on February 05, 2016. The composition of the Corporate Social Responsibility Committee and attendance of Directors as on March 31, 2016 is shown below:

Sl. No.	Name of Director	Category	No. of meetings during the tenure of member	
			Held	Attended
1.	Mr. Ajoy Kumar Deb Independent Director	Chairman	1	1
2.	Mr. Sudhir Garg Non-Executive Director	Member	1	1
3.	Mr. Satbir Singh Managing Director	Member	1	1

#### 5. RISK MANAGEMENT COMMITTEE

The terms of reference of Risk Management Committee are to identify and monitoring 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, etc. During the Financial Year 2015-16, the Risk Management Committee met only once on April 23, 2015. The composition of the Risk Management Committee and attendance of Directors as on March 31, 2016 is shown below:

Name/ category	Position in Committee	No. of meetings during the tenure of member	
		Held	Attended
Mr. Vinod K. Gupta Independent Director	Chairman	1	1
Mr. Shrawan Nigam Independent Director	Member	1	0
Mr. Ajoy Kumar Deb Independent Director	Member	1	1
*Mr. Satbir Singh Managing Director	Member	-	-

*Mr. Bikash Roy Managing Director	Member	1	1
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\*Mr. Bikash Kanti Roy ceased to be the member w.e.f August 10, 2015 and Mr.Satbir Singh was inducted as member from the said date.

## 6. 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 moneys, create charge on the assets and to allot the securities etc.

The Chairman of the Committee is an Independent Director. The Committee of Directors met thirteen times during the Financial Year 2015-16 on April 23, 2015, May 19, 2015, July 17, 2015, August 6, 2015, August 21, 2015, September 16, 2015, September 24, 2015, September 29, 2015, October 1, 2015, October 23, 2015, December 04, 2015, March 02, 2016, March 23, 2016. The composition of the Committee of Director and attendance of Directors as on March 31, 2016 is shown below:

Name/ category	Position in Committee of Directors	No. of meetings during the tenure of member	
		Held	Attended
Mr. Shrawan Nigam Independent Director	Chairman	13	8
Mr. Vinod Kumar Gupta Independent Director	Member	13	6
Mr. Ajoy Kumar Deb Independent Director	Member	13	9
Mr. Sudhir Garg Independent Director	Member	13	13
*Mr. Satbir Singh Managing Director	Member	9	9
*Mr. Bikash Roy Managing Director	Member	4	4

\*Mr. Bikash Kanti Roy ceased to be the member w.e.f August 10, 2015 and Mr.Satbir Singh was inducted as member from the said date.

## 7. RECOVERY COMMITTEE

The terms of reference of Recovery Committee are to oversee the NPA recovery. The Chairman of the Committee is a Non-Executive Director. The Committee met four times during the Financial Year 2015-16 at regular intervals on April 30, 2015, July 30, 2015, October 23, 2015 and February 05, 2016. The composition of the Recovery Committee and attendance of Directors as on March 31, 2016 is shown below:

Name/ category	Position in Committee of Directors	No. of meetings during the tenure of member	
		Held	Attended
Mr. Malay Mukherjee	Chairman	4	0
Mr. Shrawan Nigam Independent Director	Member	4	3
Mr. Ajoy Kumar Deb Independent Director	Member	4	4
Mr. Sudhir Garg Independent Director	Member	4	4
*Mr. Satbir Singh Managing Director	Member	2	2
*Mr. Bikash Roy Managing Director	Member	2	2

\*Mr. Bikash Kanti Roy ceased to be the member w.e.f August 10, 2015 and Mr. Satbir Singh was inducted as member from the said date.

## 8. GENERAL BODY MEETING

Financial Year	Date & time of AGM	Venue of the AGM
2014-15	08 <sup>th</sup> September, 2015/ 11.00A.M	IFCI Tower, 61 Nehru Place, New Delhi-110019
2013-14	10 <sup>th</sup> September, 2014/ 11.00 A.M.	IFCI Tower, 61 Nehru Place, New Delhi-110019
2012-13	30 <sup>th</sup> September, 2013/ 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
08 <sup>th</sup> September, 2015	Approval/ Ratification of Appointment and remuneration paid to Mr. Bikash Kanti Roy as Managing Director
	Appointment and Remuneration of Mr. Satbir Singh as Managing Director
	Offer and issue of Preference Shares on Right Basis
10 <sup>th</sup> September, 2014	Sell, lease or otherwise dispose of the whole or substantially whole of the undertaking of the Company
	Increasing the borrowing powers of the Company exceeding paid up capital & free reserves
	Invitation to subscribe to securities by way of private placement
30 <sup>th</sup> September, 2013	Scrapping of Employees Stock Option Scheme

## **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.33 of the Notes to Accounts of the Balance Sheet for the year ended March 31, 2016.
- (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 [www.ifcifactors.com](http://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) Administrative and Office Expenses during the year is 10.46% of the total expenses as against 7.79% for the last year. Increase in administrative expenses is mainly on account of increase in travelling expenses, Legal and Professional expenses, rent and repair & maintenance expenses etc. Further, the Financial Expenses are 81.74% of the total expenses as against 86.09% 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.

## **12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A separate section on Management Discussion and Analysis Report forms part of this report.

## **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](http://www.ifcifactors.com) The members of the Board and Senior Management Personnel have on 31st March, 2016 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, 2016.

Place : New Delhi  
Date : 30.07.2016

Satbir Singh  
Managing Director  
DIN : 06887978

Poonam Ahuja & Associates

Company Secretaries  
B-2/216,

Yamuna Vihar,  
Delhi-110053  
Tel: 98118-42946

E-mail-poonamahuja7@gmail.com

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**TO THE MEMBERS OF IFCI FACTORS LIMITED**

We have examined the compliance of conditions of Corporate Governance by IFCI Factors Ltd, ("Company") for the year ended on March 31, 2016, as stipulated in Guidelines on Corporate Governance by Department of Public Enterprises.

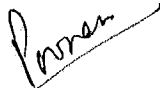
The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated herein above.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR POONAM AHUJA & ASSOCIATES**

**COMPANY SECRETARIES**



**Dr. (CS) POONAM AHUJA**

**FCS No. 4705**

**C. P. No. : 6586**

**Date: 15<sup>th</sup> July, 2016**

**Place: New Delhi**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMY OVERVIEW

The global economy experienced challenging conditions in fiscal 2016, with weak growth and divergent monetary policies in advanced economies, slowdown in China and significant decline in commodity prices. The Indian economy continued to make progress during the year, with improvement in key macroeconomic parameters and focused government initiatives to drive sustainable growth. However, the corporate sector continued to experience challenges given the prolonged slowdown in growth in earlier years and the global environment. Credit growth in the banking sector was moderate, with robust retail loan demand being offset by muted demand from the corporate sector. While retail asset quality was healthy and stable, the challenges facing the corporate sector impacted the asset quality metrics and profitability of banks. Other segments of financial services, like insurance and mutual funds, witnessed healthy growth.

The asset quality of the Indian banking industry came under severe pressure during the year due to broader macroeconomic factors as well as issues specific to certain sectors in the economy. The banking industry on a collective basis saw a sharp spike in non-performing assets as also flexible structuring of loans under the RBI framework.

The operating environment for the Indian corporate sector continued to remain challenging in view of the subdued global scenario, gradual nature of domestic economic recovery, continued weak corporate investment activity, delays and shortfalls in cash flow generation from investments and high leverage. The decline in commodity prices had an impact on borrowers in commodity linked sectors such as iron and steel. These conditions led to increasing levels of non-performing loans for the Indian Banking sector.

### **Industry Structure and Developments**

The factoring business in India, has been a challenge and is still evolving, grappling with multiple issues, most notable being the alarming rise in the volume of stressed assets. While globally, it remains a widely acceptable proposition within the ambits of transaction banking; in India the business has witnessed several stumbling blocks during its course so far. Though the Indian government has made efforts to provide a facilitating regulatory environment for factoring business to develop, the desired effects still seems to be a far cry.

As per FCI, the Global turnover of factored debt i.e. the value of sales invoices factored /funded in 2013 was Euro 2.2 Trillion. One would feel that a large country like India would have a significant share of this. Unfortunately that has not been the case as factoring business over the last decade or so has failed to take off in India. As per reported data, India's factoring turnover in 2013 was Euro 5240 Million i.e. 0.23 % share. As compared with China in many fields, India was way behind China's turnover of Euro 378,128 Million i.e. China's turnover was 72 times more!! Even Taiwan and Singapore are way ahead. Absence of legal framework regulating the factoring business in India for a long time has been a major factor in the low offtake.

As per FCI, Central Bankers across the world have noticed the growing trend and have appreciated the Factoring Product as safe and secure means of financing open account trade. Indeed, Governments are increasingly noticing the important role played by Factors in financing

SMEs, which are the engines of growth for most economies across the globe. In India, MSME's contribute nearly 8% of the country's GDP, 45% of the manufacturing output and 8% of the exports.

As on date, most of the factoring business in India is being done through NBFC's, viz., IFCI Factors Ltd, Canbank Factors, SBI Global Factors Ltd, and India Factoring. There are a few banks, mostly MNC's, which are offering factoring services on a selective basis.

It was generally felt that absence of Factoring Law was one of the major impediments in the growth of factoring business of the country including the heavy stamp duty over assignment deed, ambiguity in the legal rights of Factors in respect of receivables etc. Government of India enacted the Factoring Act, 2011 to bring in the much needed legal framework for the factoring business in the country. Though the enactment of the Factoring Regulation Act has potentially removed all the major impediments that the factoring sector faced in the country, nevertheless, the sector has few other items on its wish list, the primary among which are introduction of credit insurance in the factoring business and extending the scope of SARFAESI Act to cover NBFCs for speedy enforcement of security interest.

As mentioned, most of the factors presently operating in India are NBFC's. The inherent problems pertaining to these NBFC's are non-availability of owned funds, high cost short term borrowings, higher interest rates etc. Another major drawback to the factoring business is the non-availability of debt recovery platforms to NBFC's, such as debt recovery tribunals and the coverage under SARFESI act. Owing to the above factors, coupled with the unsecured nature of factoring business, risk factors are high as is evident from the increase in stressed accounts. However, the risk factor is minimized in export factoring transactions, which are necessarily backed by credit insurance. Further, factoring companies need to reinvent and innovate quickly if they have to survive and thrive in the fast changing landscape. There is no dearth of business potential but they will need to adapt to the legal, regulatory and competitive environment as prevalent in the country.

### **Operational Performance**

Amidst the challenging macroeconomic environment, your company witnessed an increase in its Funds In Use (FIU) and marginal improvements in terms of overall profitability vis-à-vis its last year's performance. It was on account of few accounts turning into Non Performing Assets, most of which in the last quarter, which led to the Company incurring losses during the current financial year. During the year, your Company achieved a turnover of Rs. 1,909 crore (a decline of 9% Y-O-Y) and a gross income of Rs. 90.93 crore. Further, your Company incurred a loss before tax of Rs. 55.56 Crore and a loss after tax of Rs. 43.67 crore.

The major financial parameters for the financial year ended 31.03.2016 vis-à-vis the previous two financial year are tabulated below:



(Rs. in Crore)

<b>Parameters</b>	<b>Year ended 31.03.2016</b>	<b>Year ended 31.03.2015</b>
Turnover	1909	2,094
<b>Funds in Use</b>		
Factoring Business	682	689
Other Business	212	131
Total Funds in use	894	820
Total Income	90.93	105.65
Profit / (Loss) Before Tax	(55.56)	(88.15)
Profit / (Loss) After Tax	(43.67)	(59.56)

### 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, 2016 is as under:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs. In crore)</b>
<b>A.</b>	<b>Factoring</b>	
1.	Domestic Sales Bill Factoring	548.71
2.	Export Sales Bill Factoring	26.78
3.	Advance Against Future Receivables	53.91
4.	Purchase Bill Factoring	52.15
	<b>Total (A)</b>	<b>681.55</b>
<b>B.</b>	<b>Non Factoring</b>	
	Corporate Loan	212.21
	<b>Total (B)</b>	<b>212.21</b>
	<b>Total (A+B)</b>	<b>893.76</b>

The Company has extended facilities across industry segment. Industry wise exposure of the Company as on 31.03.2016 is as under:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs. crore)</b>
1.	Small Scale Industries	21.34
2.	Medium & Large Industries	49.94
3.	Construction	72.85
4.	Advance to Capital Market	33.89
5.	Retail Trade	7.25
6.	Commercial Real Estate	107.30

7.	Infrastructure	115.99
8.	Transport Operators	19.36
9.	Consumer Durables	0.00
10.	Others	465.84
	<b>Total</b>	<b>893.76</b>

### Opportunities

- The Company is only operating in working capital space for the entire IFCI Group.
- RBI has been indicating a favorable intent for factoring Industry through various circulars. To name a few RBI has prescribed Factoring to Non factoring product ratio of 50:50 and Export Factoring.
- 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.
- There is a funding gap in SME sectors as banks have not been able to meet the funding needs to this sector.

### Threats

- The Company does not have DRT access and SARFASI Rights.
- NBFC Factor have to classify an asset as NPA where the invoices remain unpaid for a period more than 120 days and this would be progressively reduced to 90 days from the FY 2017-18.
- Provisioning requirement for the impaired assets to the extent of 100% is required to be made within 16 months due to unsecured nature of facilities which has adverse impact on the profitability of the Factoring entities.

### 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.

## **Risks and concerns**

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

## **Internal Control Systems**

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

## **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 a high attrition rate and in order to augment its headcount, your Company has recruited two officers across various verticals of the Company. As on March 31, 2016, your Company had thirty nine employees on its roll vis-à-vis fifty one employees as on March 31, 2015.

## **Other disclosures**

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





**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF IFCI FACTORS LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **IFCI FACTORS LIMITED** ("the company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

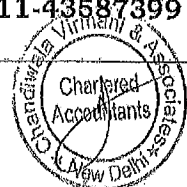
**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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



## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31<sup>st</sup> March 2016 and its Loss and its cash flow for the year ended on that date.

## 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 statement on the matters specified in paragraphs 3 and 4 of the Order
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 so far as appears from our examination of those books.
  - c) As per the information and explanations given to us, the company has branch office(s) only for marketing purposes. Hence, no requirement to consider report of branch auditor and dealt with it in preparing our report.
  - d) The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - f) On the basis of written representations received from the directors as on 31 March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - g) There is no qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith.
  - h) 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"; and
  - i) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of Companies (Audit and Auditors) Rules, 2014, 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 would 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 amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As per directions/sub directions issued by the C&AG of India under section 143(5) of the Companies Act 2013 , we report that :

Directions

- i. The company is having lease deed(s) for its leasehold Properties.
- ii. Cases of waiver/write off of debtors/loan/interest are given hereunder:
- (a) A sum of Rs. 11,33,74,438/- has been waived on account of interest during the year in 2 cases due to One Time Settlement (OTS).
- (b) A sum of Rs.23,60,85,670/- has been written off during the year in 3 cases. Out of which Rs.6,65,82,596/- has been written off in 1 case due to poor chances of recovery in the opinion of management and out of balance 2 cases in which OTS was implemented involving amount of Rs.16,95,03,074/- in one case Rs.8,19,84,317/- has been written off due to non- recovery as per OTS terms.
- iii. The company is a registered NBFC, therefore clause regarding maintenance of inventories is not applicable.No assets have been received as gift from Govt.or other authorities by the company.

Sub-Directions

- iv. Necessary Independent verification has been made of information/inputs furnished to Actuary, viz number of employees, average salary, retirement age and assumptions made by the Actuary regarding discount rate, future cost increase, mortality rate, etc for arriving at the provision for liability of retirement benefits, viz gratuity, leave encashment, post-retirement medical benefits etc.
- v. There is no investment in CGS/SGS/Bonds/Debentures except debenture application money as per Note No. 28, hence the verification of titles of ownership in respect of CGS/SGS/Bonds/Debentures etc. are not applicable.

FOR CHANDIWALA VIRMANI & ASSOCIATES  
Chartered Accountants  
Firm Reg. No. 000082N



(BHARAT BHUSHAN)  
PARTNER  
Membership No. 087365  
Place: New Delhi  
Dated: April 29, 2016



**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, 2016**

- 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. Accordingly, provisions of clause 3(iii) (a) to (c) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.
- v) The Company has not accepted any deposits from the public within the meaning of Section 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, wherever applicable. Therefore the provisions of clause 3(v) of the Order are not applicable.
- vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services 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 31st March 2016 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(Rs. in Lacs)	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	3,36,464	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	11,49,380	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 are in 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) According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

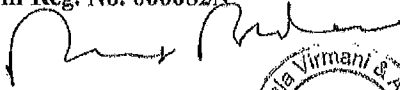


- xv) According to the information and explanations given to us and based on our examination of the records of the company, the company has not been entered into non cash transaction with directors or persons connected with him. Accordingly, paragraph 3(xv) of the order is not the applicable.
- xvi) Company has obtained Certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934. The company is registered with as "Non-Banking Financial Company-Factors".

**FOR CHANDIWALA VIRMANI & ASSOCIATES**

**Chartered Accountants**

**Firm Reg. No. 000082N**



**(BHARAT BHUSHAN)**

**PARTNER**

**Membership No. 087365**

**Place: New Delhi**

**Dated: April 29, 2016**



## **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 IFCI Factors Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone 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.

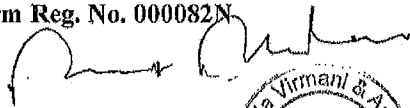
### **Opinion**

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, 2016, 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 CHANDIWALA VIRMANI & ASSOCIATES**

**Chartered Accountants**

**Firm Reg. No. 000082N**



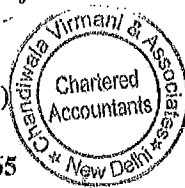
**(BHARAT BHUSHAN)**

**PARTNER**

**Membership No. 087365**

**Place: New Delhi**

**Dated: April 29, 2016**



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

BALANCE SHEET AS AT MARCH 31, 2016

PARTICULARS	Note No.	As at	As at
		March 31, 2016	March 31, 2015
		Rs.	Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	2,544,388,600	1,543,957,000
Reserves and Surplus	3	(598,075,342)	(161,341,397)
		<u>1,946,313,258</u>	<u>1,382,615,603</u>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	2,330,000,000	2,474,000,000
Long-Term Provisions	5	46,020,104	81,290,297
		<u>2,376,020,104</u>	<u>2,555,290,297</u>
<b>Current Liabilities</b>			
Short-Term Borrowings	6	2,911,542,679	2,132,196,655
Trade Payables	7	75,033,945	21,488,996
Other Current Liabilities	8	1,448,972,592	2,865,644,094
Short-Term Provisions	9	21,661,804	25,022,804
		<u>4,457,211,020</u>	<u>5,044,352,549</u>
	<b>TOTAL</b>	<u><b>8,779,544,382</b></u>	<u><b>8,982,258,449</b></u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	10	1,411,325	1,634,969
Intangible Assets		2,626,040	1,137,397
		<u>4,037,365</u>	<u>2,772,366</u>
Non-Current Investment	11	17,855,246	25,228,963
Deferred Tax Assets (net)	25	666,693,958	547,841,630
Long-Term Loans and Advances	12	1,237,189,643	881,463,258
Other Non-Current Assets	13	109,472,881	61,399,219
		<u>2,035,249,093</u>	<u>1,518,705,436</u>
<b>Current Assets</b>			
Current Investments	14	-	19,200,000
Trade Receivables	15	6,017,900,591	6,839,826,492
Cash and Cash Equivalents	16	70,155,858	169,889,315
Other Current Assets	17	656,238,840	434,637,206
		<u>6,744,295,289</u>	<u>7,463,553,013</u>
	<b>TOTAL</b>	<u><b>8,779,544,382</b></u>	<u><b>8,982,258,449</b></u>

Summary of Significant Accounting Policies 1  
 The accompanying notes are an integral part of the financial statements (Note No. 1 to 43)

As per our Audit Report of even date attached  
 For Chandiwala Virmani & Associates  
 Chartered Accountants  
 Firm Registration No. 000082N

(Bharat Bhushan)  
 Partner  
 Membership No. 087365



Date: April 29, 2016  
 Place: New Delhi

For and on behalf of Board of Directors

*Satbir Singh*  
 (Satbir Singh)  
 Managing Director  
 DIN: 06887978

*Sudhir Garg*  
 (Sudhir Garg)  
 Director  
 DIN: 06777363

*Manish Jain*  
 (Manish Jain)  
 Chief Financial Officer

*Samir Raheja*  
 (Samir Raheja)  
 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 YEAR ENDED MARCH 31, 2016**

PARTICULARS	Note No.	Period Ended	Year Ended
		March 31, 2016	March 31, 2015
		Rs.	Rs.
<b>INCOME</b>			
Revenue from Operations	18	904,136,928	1,052,009,967
Other Income	19	5,110,063	4,537,793
<b>Total (A)</b>		<b>909,246,991</b>	<b>1,056,547,760</b>
<b>EXPENSES</b>			
Employee Benefits Expense	20	50,080,551	46,117,519
Operating, Administrative and Other Expenses	21	76,878,269	63,487,119
Finance Costs	22	570,621,916	701,381,821
Depreciation and Amortization Expense	10	535,193	3,683,713
<b>Total (B)</b>		<b>698,115,929</b>	<b>814,670,172</b>
<b>Profit Before Provisions &amp; Write Offs (A-B)</b>		<b>211,131,062</b>	<b>241,877,588</b>
Provisions & Write Offs	23	766,717,335	1,123,358,984
<b>Profit / (Loss) Before Tax</b>		<b>(555,586,273)</b>	<b>(881,481,396)</b>
<b>Tax Expenses:</b>			
Current Tax		-	7,322,968
Deferred Tax (Net)	25	(118,852,328)	(293,192,532)
<b>Profit / (Loss) After Tax</b>		<b>(436,733,945)</b>	<b>(595,611,832)</b>
<b>Earnings Per Share (Face Value - Rs. 10 per share)</b>	35		
Basic		(5.50)	(7.51)
Diluted		(1.72)	(3.86)

Summary of Significant Accounting Policies 1

The accompanying notes are an integral part of the financial statements (Note No. 1 to 43)

As per our Audit Report of even date attached  
For Chandiwala Virmani & Associates  
Chartered Accountants  
Firm Registration No. 000082N

(Bharat Bhushan)  
Partner  
Membership No. 087365

Date: April 29, 2016  
Place: New Delhi



For and on behalf of Board of Directors

*Satbir Singh*  
(Satbir Singh)  
Managing Director  
DIN: 06887978

*Sudhir Garg*  
(Sudhir Garg)  
Director  
DIN: 06777363

*Manish Jain*  
(Manish Jain)  
Chief Financial Officer

*Samir Raheja*  
(Samir Raheja)  
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 YEAR ENDED MARCH 31, 2016

	Period Ended March 31, 2016 Rs.	Year Ended March 31, 2015 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	(555,586,273)	(881,481,396)
Adjustments for:		
Depreciation/Amortisation	535,193	3,683,713
Share / Bond Issue Expenses charged to Securities Premium Account	-	(8,911,350)
Bad Debts Written Off	236,085,670	246,409,991
Reversal of Provision for Doubtful Debts	(308,102,779)	(331,450,465)
Provision for Standard Assets	(40,358,994)	18,212,605
Allowance for Bad and Doubtful Debts and Loans	852,519,721	1,190,186,853
Provision for Gratuity	858,941	217,571
Provision for Leave Encashment	868,860	(41,965)
Income From Mutual Fund	-	(1,270,994)
Operating Profit Before Working Capital Changes	186,820,339	235,554,563
Movement in Working Capital		
Increase/(Decrease) in Borrowings	(364,653,976)	(483,261,797)
Increase/ (Decrease) in Trade Payables & other Current Liabilities	(363,126,553)	165,486,936
(Increase)/Decrease In Trade Receivables	271,628,467	(18,659,995)
(Increase)/Decrease in Loans & Advances, Other Current & Non-Current Assets	(856,754,337)	159,634,767
Net Cash Used in Operations	(1,126,086,060)	58,754,474
Direct Tax Paid	-	(7,322,968)
Net Cash Flow From Operating Activities	(1,126,086,060)	51,431,506
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets / Capital Advance	(652,714)	(1,216,902)
Provision for Diminution in value of Non-Current Investments	7,373,717	-
Investment in Current and Non Current Investments	19,200,000	-
Income From Mutual Fund	-	1,270,994
Net Cash Flow From Investing Activities	25,921,003	54,092
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subordinate Debts Raised	-	(750,000,000)
Issue of Preference Shares	1,000,431,600	750,380,000
Dividend Paid	-	(3,150)
Net Cash Flow From Financing Activities	1,000,431,600	376,850
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(99,733,457)</b>	<b>51,862,448</b>
Opening Cash and Cash Equivalents	169,889,315	118,026,867
Closing Cash and Cash Equivalents	70,155,858	169,889,315

Note:

1. Components of Cash and Cash Equivalents:

	March 31, 2016	March 31, 2015
Cash on Hand	20,511	27,651
Balances with Banks	70,135,347	169,861,664
	70,155,858	169,889,315

2. Previous year figures have been re-grouped/re-arranged/re-classified wherever necessary to make them comparable with the current year figures.

As per our Audit Report of even date attached  
 For Chandiwala Virmani & Associates  
 Chartered Accountants  
 Firm Registration No. 000082N

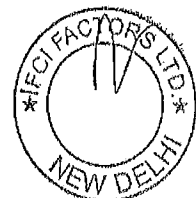
(Bharat Bhushan)  
 Partner  
 Membership No. 087365

Date: April 29, 2016  
 Place: New Delhi



For and on behalf of Board of Directors

Satbir Singh (Satbir Singh) Managing Director  
 DIN: 06887978  
 Sudhir Garg (Sudhir Garg) Director  
 DIN: 06777363  
 Manish Jain (Manish Jain) Chief Financial Officer  
 Samir Raheja (Samir Raheja) Company Secretary



**IFCI FACTORS LIMITED**

CIN NO:-U74899DL1995GOI074649

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Preparation of Financial Statements:**

The financial statements have been prepared on a going concern basis, on historical cost convention, in accordance with the Accounting Standards notified under the Companies Act, 2013 ("the Act") and after taking into account the applicable guidelines issued by the Reserve Bank of India (RBI) to Non Banking Financial Companies from time to time and in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

**b) Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities as at the balance sheet date. The estimates and assumptions used in the accompanying financial statements are based on the management's evaluation of the relevant facts and circumstances as at the date of financial statements. Actual results may differ from the estimates and assumptions and any revision to accounting estimates is recognised in the period in which they actually materialise.

**c) Revenue Recognition**

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 realisation basis as per prudential guidelines laid down by the RBI.

**d) 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.

**e) Fixed Assets, Depreciation & Amortization**

**(i) Tangible**

Fixed Assets are stated at cost, less accumulated depreciation and impairment. Depreciation has been provided on straight line method (SLM) over the use full life of assets as prescribed under Schedule II to the Companies Act 2013.

**(ii) Intangible**

In accordance with Accounting Standard-26, Intangible Assets are valued at cost less accumulated amortization and any impairment losses. Expenditure on major software products is written off as prescribed under Schedule II to the Companies Act 2013.





**IFCI FACTORS LIMITED**

CIN NO:-U74899DL1995GOI074649

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**f) Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the impairment loss is recognised in the Statement of Profit and Loss. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

**g) Factored Debts**

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

**h) Foreign Currency Transactions**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Statement of Profit & Loss. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year end and gains/losses on translation are provided for in the Statement of Profit and Loss. Premium/discount on hedging transactions is spread over the period to which it relates.

**i) Investments**

Investments are classified into long-term investments and current investments.

**a) Long-term investments:**

Long-term investments are stated at cost. A provision is made for diminution other than temporary on an individual basis.

**b) Current investments:**

Current Investments are stated at the lower of cost or market value.

**j) Taxation**

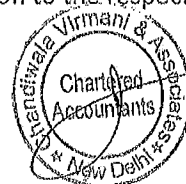
a) Current Tax is determined and provided as the amount of tax payable in respect of taxable income for the year.

b) Deferred Tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred Tax Assets are recognised if there is reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax assets can be realised. Deferred taxes are reviewed for the carrying values at each balance sheet date.

**k) Employee Benefits**

**a) Defined Contribution Plan**

Employee benefits in the form of contribution towards Provident Fund and Family Pension Schemes are considered as defined contribution plan and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the respective funds are due.



**IFCI FACTORS LIMITED**

CIN NO:-U74899DL1995GOI074649

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**b) Defined Benefit Plan**

Retirement benefits in the form of Gratuity is considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

**c) Other Long Term Benefits**

Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Actuarial gains/losses are immediately taken to Statement of Profit and Loss.

**l) Leases**

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit & Loss on straight line basis over the lease term.

**m) Provisions, Contingent Liabilities and Contingent Assets**

a) Provisions are recognized for liabilities that can be measured only using a substantial degree of estimation, if:

- (i) the Company has a present obligation as a result of past event.
- (ii) a probable outflow of resources is expected to settle the obligation and
- (iii) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

b) Contingent liability is disclosed in the case of:

- (i) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- (ii) a possible obligation, unless the probability of outflow of resources is remote.

Provisions, Contingent Liabilities are reviewed by the management at each Balance Sheet date.

c) Contingent assets are neither recognised nor disclosed.

**n) Earnings per share**

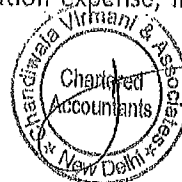
Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

**o) Share Issue Expenditure**

Expenses incurred in relation to issue of Shares, Debentures & Bonds (net of taxes) are charged to Securities Premium Account.

**p) Employee Stock Option Plan**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India (ICAI). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.



IFCI FACTORS LIMITED

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
<b>2. SHARE CAPITAL</b>		
<b>Authorised:</b>		
200,000,000 Equity Shares of Rs.10 each (Previous Year 200,000,000 Equity Shares of Rs. 10 each)	2,000,000,000	2,000,000,000
200,000,000 Preference Shares of Rs.10 each (Previous Year 100,000,000 Preference Shares of Rs. 10 each)	2,000,000,000	1,000,000,000
<b>Issued, Subscribed and Paid up:</b>		
79,357,700 Equity Shares (Previous Year 79,357,700) of Rs.10 each fully paid up	793,577,000	793,577,000
75,038,000, 9% Compulsorily Convertible Cumulative Preference Shares (Previous Year 75,038,000) of Rs.10 each fully paid up	750,380,000	750,380,000
10,00,43,160, 10% Compulsorily Convertible Cumulative Preference Shares (Previous Year Nil) of Rs.10 each fully paid up	1,000,431,600	-
<b>TOTAL</b>	<b>2,544,388,600</b>	<b>1,543,957,000</b>
<b>3. RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Opening Balance	100,820,478	109,731,828
Less: Expenses on Increase in Authorised Capital (net of taxes)	-	8,911,350
Closing Balance	100,820,478	100,820,478
<b>Statutory Reserve Fund</b> (under section 45 IC of Reserve Bank of India Act)		
Opening Balance	175,573,439	175,573,439
Add: Transfer from Surplus Balance in Statement of Profit and Loss	-	-
Closing Balance	175,573,439	175,573,439
<b>General Reserve</b>		
Opening Balance	3,165,000	3,165,000
Less: Transfer to Statement of Profit and Loss	-	-
Closing Balance	3,165,000	3,165,000
<b>Surplus Balance in Statement of Profit and Loss</b>		
Opening Balance	(440,900,314)	155,699,903
Add: Profit / (Loss) for the period	(436,733,945)	(595,611,832)
Less: Appropriations	-	-
Transfer to Statutory Reserve Fund	-	-
Transitional Depreciation	-	988,385
Closing Balance	(877,634,259)	(440,900,314)
<b>TOTAL</b>	<b>(598,075,342)</b>	<b>(161,341,397)</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
<b>4. LONG-TERM BORROWINGS</b>		
<u>Debentures / Bonds</u>		
<b>Secured #</b>		
Redeemable, Non-Convertible Bonds	1,000,000,000	1,000,000,000
<b>Unsecured</b>		
Redeemable, Non-Convertible Bonds	1,000,000,000	1,000,000,000
Perpetual, Non-Convertible Debenture - IFCI Ltd - Related Party (Tier-I Capital)	250,000,000	250,000,000
<u>Term Loans</u>		
<b>Secured *</b>		
- From Banks	80,000,000	224,000,000
- From Others - IFCI Ltd - Related Party	-	-
<b>Unsecured</b>		
- Subordinate Debts - IFCI Ltd - Related Party (Tier-II Capital)	-	-
<b>TOTAL</b>	<b>2,330,000,000</b>	<b>2,474,000,000</b>
# Secured by pari passu charge on corporate loan receivables & current assets other than factored receivables.		
* Secured by pari passu charge on factored receivables by way of hypothecation.		
<b>5. LONG TERM PROVISIONS</b>		
Leave Encashment	4,046,500	3,177,640
Gratuity	3,669,087	2,810,146
Contingent Provisions against Standard Assets	23,070,000	38,843,000
Sundry Liabilities Account (Interest Capitalisation)	15,234,517	36,459,511
<b>TOTAL</b>	<b>46,020,104</b>	<b>81,290,297</b>
<b>6. SHORT TERM BORROWINGS</b>		
<b>Secured*</b>		
Working Capital Demand Loan- From Banks	2,375,000,000	1,000,000,000
<b>Short Term Loans</b>		
- From Others	250,000,000	-
(Includes Rs. 250,000,000 (Previous Year Rs. Nil) from IFCI Ltd-Related Party)	286,542,679	636,164,269
Cash Credit - From Banks	-	-
<b>Unsecured</b>		
Bank Overdraft	-	496,032,386
<b>TOTAL</b>	<b>2,911,542,679</b>	<b>2,132,196,655</b>
* Credit facilities are secured by pari passu charge on factored receivables by way of hypothecation.		
<b>7. TRADE PAYABLE</b>		
Sundry Creditors	75,033,945	21,488,996
<b>TOTAL</b>	<b>75,033,945</b>	<b>21,488,996</b>
<b>8. OTHER CURRENT LIABILITIES</b>		
Contractual Liability against Collection of Trade Receivables	1,121,766,113	1,553,383,343
<b>Current Maturities of Long Term Debts (secured)</b>		
- From Banks	144,000,000	144,000,000
- From Others - IFCI Ltd - Related Party	-	1,000,000,000
<b>Interest Accrued on Borrowings:</b>		
- Not due	175,306,625	160,938,111
Income Received In Advance	5,711,649	3,988,434
Unpaid Dividends	101,570	101,570
Other Liabilities	2,086,635	3,232,636
<b>TOTAL</b>	<b>1,448,972,592</b>	<b>2,865,644,094</b>
<b>9. SHORT TERM PROVISIONS</b>		
Leave Encashment	184,212	184,212
Gratuity	60,592	60,592
Contingent Provisions against Standard Assets	21,417,000	24,778,000
<b>TOTAL</b>	<b>21,661,804</b>	<b>25,022,804</b>

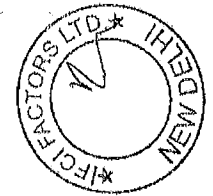
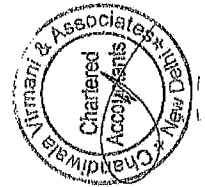


IFCI FACTORS LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

10. FIXED ASSETS

Description of Assets	Gross Block			Depreciation/ Amortisation				Amount in Rs		
	As at April 1, 2015 Rs.	Additions Rs.	Deductions Rs.	As at March 31, 2016 Rs.	As at April 1, 2015 Rs.	Transitional Depreciation Rs.	For the Period Rs.	Deductions/ Adjustments Rs.	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
<b>Tangible:</b>										
Furniture & Fixtures	758,713	88,500	-	847,213	166,389	-	81,315	-	247,704	599,509
Office Equipment	251,930	15,700	-	267,630	132,108	-	63,784	-	195,892	71,738
Computer Hardware	10,131,467	-	-	10,131,467	9,208,644	-	182,745	-	9,391,389	740,078
Vehicle	-	-	-	-	-	-	-	-	-	-
Subtotal	11,142,110	104,200	-	11,246,310	9,507,141	-	327,844	-	9,834,985	1,411,325
<b>Intangible:</b>										
Computer Software	6,664,979	1,695,992	-	8,360,971	5,527,582	-	207,349	-	5,734,991	2,626,040
Subtotal	6,664,979	1,695,992	-	8,360,971	5,527,582	-	207,349	-	5,734,991	2,626,040
<b>Grand Total</b>	<b>17,807,089</b>	<b>1,800,192</b>	<b>-</b>	<b>19,607,281</b>	<b>15,034,723</b>	<b>-</b>	<b>535,192</b>	<b>-</b>	<b>15,569,915</b>	<b>4,037,366</b>
Previous Year	17,498,899	308,190	-	17,807,089	10,362,625	988,385	3,683,713	-	15,084,723	2,772,366



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
<b>11. NON-CURRENT INVESTMENT</b>		
Non-Trade, Quoted		
- Net 4 India Limited 3,232,874 Equity Shares (Previous Year - 3,232,874 ) of Rs. 10 each fully paid up	20,743,679	20,743,679
- KEW Industries Limited 2,931,558 Equity Shares (Previous Year - 2,931,558) of Rs. 10 each fully paid up	4,611,567	4,611,567
	<u>25,355,246</u>	<u>25,355,246</u>
Less : Provision for Diminution in value	7,500,000	126,283
<b>TOTAL</b>	<u>17,855,246</u>	<u>25,228,963</u>
Note:		
Book Value	25,355,246	25,355,246
Market Value	13,584,976	15,832,923
<b>12. LONG TERM LOANS AND ADVANCES</b>		
Term Loans (Considered Good)		
Considered Good		
- Secured *	978,035,545	472,537,841
- Unsecured	76,297,457	407,777,939
Considered Doubtful		
- Secured *	33,462,691	-
- Unsecured	330,201,128	-
<b>Total</b>	<u>1,417,996,821</u>	<u>880,315,780</u>
Less : Provision for Bad and Doubtful Loans	180,807,178	-
	<u>1,237,189,643</u>	<u>880,315,780</u>
Capital Advances (Unsecured)	-	1,147,478
<b>TOTAL</b>	<u>1,237,189,643</u>	<u>881,463,258</u>
*Term Loans are secured against Bank Guarantee, mortgage of property & lien on shares.		
<b>13. OTHER NON-CURRENT ASSETS</b>		
(Unsecured, Considered Good)		
Security Deposits	8,000	8,000
Advance Income Tax (Including earlier years) (Net of Provisions)	109,464,881	61,391,219
<b>TOTAL</b>	<u>109,472,881</u>	<u>61,399,219</u>
<b>14. CURRENT INVESTMENTS</b>		
(Non-Trade, at cost or market price, whichever is less)		
Debenture Application Money- In Arch Pharmalabs Limited	19,200,000	19,200,000
Less: Provision	(19,200,000)	-
<b>TOTAL</b>	<u>-</u>	<u>19,200,000</u>
<b>15. TRADE RECEIVABLES</b>		
Factored Debts:		
Outstanding for over five months	2,568,199,106	2,307,693,294
Other Debts	5,369,022,032	6,137,241,981
<b>Total</b>	<u>7,937,221,138</u>	<u>8,444,935,275</u>
Less : Provision for Bad and Doubtful Debts	1,919,320,547	1,605,108,783
<b>TOTAL</b>	<u>6,017,900,591</u>	<u>6,839,826,492</u>
<u>Out of above</u>		
Considered Good		
- Secured *	1,869,661,095	918,788,452
- Unsecured	3,499,360,937	5,218,453,529
Considered Doubtful		
- Secured *	233,813,304	162,699,944
- Unsecured	2,334,385,802	2,144,993,350
<b>TOTAL</b>	<u>7,937,221,138</u>	<u>8,444,935,275</u>
*Trade Receivables are secured against Bank Guarantee, mortgage of property and lien on shares.		

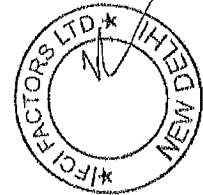


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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
<b>16. CASH AND CASH EQUIVALENTS</b>		
Balances with Banks (Includes Rs. 101,570 (Previous Year Rs. 101,570) earmarked balances for Unpaid Dividend)	70,135,347	169,861,664
Cash on Hand	20,511	27,651
<b>TOTAL</b>	<b>70,155,858</b>	<b>169,889,315</b>
<b>17. OTHER CURRENT ASSETS</b> (Unsecured, Considered Good unless otherwise stated)		
<b>Current Maturities of Long Term Loans</b>		
Considered Good		
- Secured *	445,094,749	416,840,241
- Unsecured	-	-
Considered Doubtful		
- Secured *	259,002,390	9,849,979
- Unsecured	-	-
Total	704,097,139	426,690,220
Less : Provision for Bad and Doubtful Loans	50,898,000	1,500,000
	653,199,139	425,190,220
Interest Accrued But not Due	-	2,112,000
Advances Recoverable In Cash or In Kind or for Value to be Received	3,039,701	7,334,986
<b>TOTAL</b>	<b>656,238,840</b>	<b>434,637,206</b>

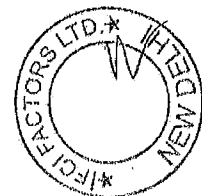
\*Term Loans are secured against Bank Guarantee, mortgage of property & lien on shares.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	Period Ended March 31, 2016 Rs.	Year Ended March 31, 2015 Rs.
<b>18. REVENUE FROM OPERATIONS</b>	<b>71.13</b>	<b>84.75</b>
Discount and Service Charges	711,273,400	847,498,911
Interest Income on Term Loan	158,249,635	167,048,806
Application and Administration Charges	34,613,893	37,462,250
<b>TOTAL</b>	<b>904,136,928</b>	<b>1,052,009,967</b>
<b>19. OTHER INCOME</b>		
Factoring Bad Debts Recovered	5,000,000	-
Income from Mutual Funds	-	1,270,994
Exchange Fluctuation (Net)	12,871	-
Unclaimed Balances Written Back	-	3,028,465
Miscellaneous Income	97,192	238,334
<b>TOTAL</b>	<b>5,110,063</b>	<b>4,537,793</b>
<b>20. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and Other Benefits	45,903,723	41,878,554
Contribution to Provident fund	3,093,743	2,900,344
Staff Welfare Expenses	1,083,085	1,338,621
<b>TOTAL</b>	<b>50,080,551</b>	<b>46,117,519</b>
<b>21. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	34,128,555	33,402,613
Printing and Stationery	847,607	848,606
Postage, Telephone and Fax	2,332,248	2,199,708
Travelling & Conveyance	3,098,702	3,108,152
Conferences & Seminar	102,600	259,552
Legal and Professional	12,271,206	9,428,825
Business Promotion	399,748	890,443
Repairs and Maintenance		
-Buildings	386,295	420,585
-Others	2,028,838	2,851,323
Import Factor Commission	11,022,963	6,712,441
Expenses On Increase Of Authorised Share Capital	3,869,000	-
Miscellaneous Expenses	6,390,507	3,364,871
<b>TOTAL</b>	<b>76,878,269</b>	<b>63,487,119</b>
<b>22. FINANCE COSTS</b>		
Interest Expense	563,667,942	695,577,477
Other Borrowing Costs	5,609,910	4,229,501
Bank Charges	1,344,064	1,574,843
<b>TOTAL</b>	<b>570,621,916</b>	<b>701,381,821</b>
<b>23. PROVISIONS &amp; WRITE OFFS</b>		
Bad Debts Written Off	236,085,670	246,409,991
Provision for Bad and Doubtful Debts Written Back	(308,102,779)	(331,450,465)
Provisions:		
-Standard Assets	(40,358,994)	18,212,605
-Bad and Doubtful Debts and Loans	852,519,721	1,190,186,853
Provision for Diminution In value of Non-Current Investments	7,373,717	-
Provision for Debentures	19,200,000	-
	<b>766,717,335</b>	<b>1,123,358,984</b>





**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****24. Contingent Liabilities & Commitments****24.1 Contingent Liabilities**

There is a contingent liability in respect to Dividend payable on Compulsorily Convertible Cumulative Preference Shares is Rs. 118,287,489 which has not been provided for as per sanction terms & conditions.

**24.2 Commitments**

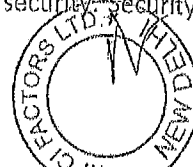
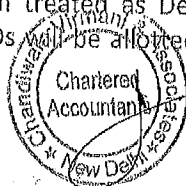
- a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. NIL (Previous year Rs. 139,045).
- b) Undrawn commitments (In line with RBI circular dated December 26, 2011) Rs. 1,393,197 (Previous Year Rs. 6,051,959).

**25. Deferred Tax Assets (Net)**

The Deferred Tax Assets (Net) as on March 31, 2016 comprise of the following:

Particular	(Amount in Rs)	
	As at 31.03.2016	As at 31.03.2015
Leave Encashment	1,307,290	1,142,693
Gratuity	1,152,471	975,764
Provisions for Bad & Doubtful Debts and Loans	664,666,949	546,086,325
Depreciation	(432,752)	(363,152)
<b>Deferred Tax Assets (Net)</b>	<b>666,693,958</b>	<b>547,841,630</b>
<b>Amount credited to Statement of Profit and Loss</b>	<b>118,852,328</b>	<b>293,192,532</b>

26. The Company has not received information from vendors regarding their status under "The Micro Small and Medium Enterprises Development Act, 2006" and hence disclosure related to amounts unpaid as at the year end together with interest paid/payable under this Act has not been given.
27. Letters seeking confirmation of outstanding balances of Trade Receivables, Loans and Advances as at February 29, 2016 have been sent to all the borrowers except cases under litigation. Confirmation in some cases is awaited. In some of the cases where agencies have informed different balances, reconciliation is underway.
28. Arch Pharmed Labs Ltd was sanctioned a Domestic Sales Bill Factoring Facility of Rs. 10.00 crores and Domestic Purchase Bill Factoring Facility of Rs. 6.00 crores within the overall prepayment limit of Rs. 15.00 crores by the Committee of Directors in May, 2011. The said facilities have been restructured under the Corporate Debt Restructuring ("CDR"), the cut-off date being April 01, 2013. The total amount outstanding in the books of the Company as on April 01, 2013 was Rs. 15.21 crores. As per the terms of the CDR, an amount of Rs. 13.29 crores has been converted to Working Capital Term Loan (WCTL) which is to be secured by first pari passu charge on the current assets and second pari passu charge on the fixed assets of the Company.
- An amount of Rs. 1.92 crores has been treated as Debenture Application Money towards Optionally Convertible Debentures (OCDs). The OCDs will be allotted post creation of security. Security creation and



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

issuance of debentures is pending due to a court order which restricts the company from further encumbering its assets and change in the shareholding structure. The security creation will be complied with once the orders are vacated. During the year, as per prudence, income has not been recognized on Debenture Application Money.

**29. Auditors Remuneration:**

(Amount in Rs)

Particular	Year Ended 31.03.2016	Year Ended 31.03.2015
Audit Fee	520,000	520,000
Tax Audit Fee	50,000	50,000
Other Services	195,000	250,000
Out of Pocket Expenses	20,000	20,000
Service Tax	110,925	101,352
<b>Total</b>	<b>8,95,925</b>	<b>941,352</b>

**30. a) Detail of Bonds (Face Value Rs 1,000,000 each, redeemable at par)**

(Amount in Rs)

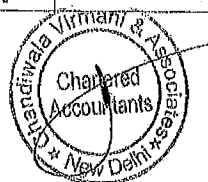
No. of Bonds	Rate of Interest	Date of Redemption	Put/Call Option	As at 31.03.2016	As at 31.03.2015
1000	10.24%	May 17, 2023	No	1,000,000,000	1,000,000,000
411	10.20%	April 23, 2023	Yes (April 23, 2020)	411,000,000	411,000,000
170	10.25%	March 28, 2023	Yes (March 28, 2020)	170,000,000	170,000,000
214	10.15%	April 23, 2018	Yes (April 23, 2016)	214,000,000	214,000,000
187	10.15%	March 28, 2018	Yes (March 28, 2016)	187,000,000	187,000,000
18	10.25%	March 28, 2018	No	18,000,000	18,000,000

b) 12.50%, 500 Non-Convertible Debentures of Rs 500,000 each issued at par are perpetual in nature and the Company has 'Call Option' exercisable after June 6, 2022 (a minimum period of 10 years from the date of issue), subject to RBI regulations.

**c) Terms of repayment of Long Term Loans:**

(Amount in Rs)

From	Remaining Tenor	Repayment Term	Rate of Interest	As at 31.03.2016	As at 31.03.2015
Banks	Up to 1 Year	Monthly Repayment	11.88%	144,000,000	144,000,000
Banks	1 Year – 2 Year	Monthly Repayment	11.88%	80,000,000	144,000,000
Banks	2 Year – 4 Year	Monthly Repayment	11.88%	-	80,000,000
Others	Up to 1 Year	Bullet Repayment	11.25%	-	1,000,000,000
Others	1 Year – 2 Years	Bullet Repayment	-	-	-
Others	3 Years - 5 Years	Bullet Repayment	-	-	-



**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****31. Foreign Exchange exposures that are not hedged by derivative instruments or otherwise are as follows:**

Particulars	As at 31.03.2016	As at 31.03.2015
<u>Cash &amp; Bank Balances</u>		
Euro	130,999.68	278.40
USD	483,249.42	500.00
<u>Sundry Creditor</u>		
Euro	1,759.35	2,474.12
USD	48,020.67	27,085.64
GBP	-	-

**32. Segmental Information**

Based on the guiding principles given in the Accounting Standard 17 on "Segment Reporting", issued by the Institute of Chartered Accountants of India, the Company's primary business segment is financing. The Company operates in one geographical segment and no further disclosures as per AS-17 are required to be made.

**33. Related Party Disclosure:****A) Names of the Related Parties:**i) **Holding Company :-** IFCI Limitedii) **Subsidiaries, Associate and Joint Venture of the Holding Company**

Related Party	Relationship
IFCI Infrastructure Development Limited	Fellow Subsidiaries
IFCI Financial Service Limited	Fellow Subsidiaries
IFCI Venture Capital Funds Limited	Fellow Subsidiaries
MPCON Limited	Fellow Subsidiaries
Stock Holding Corporation of India Limited	Fellow Subsidiaries
IFCI Commodity Limited	Step down Fellow Subsidiaries
IFIN Credit Limited	Step down Fellow Subsidiaries
IIDL Realtors Private Limited	Step down Fellow Subsidiaries
IFIN Securities Finance Limited	Step down Fellow Subsidiaries
Tourism Finance Corporation of India Limited	Associate
Assets Care & Reconstruction Enterprise Limited	Associate
Himachal Consultancy Organisation Limited	Associate
North India Technical Consultancy Organisation Limited	Associate
HARDICON Limited	Associate
Rajasthan Consultancy Organisation Limited	Joint Venture
IFCI Sycamore Capital Advisors Private Limited	Joint Venture

**iii) Key Management Personnel**

Mr. Bikash Kanti Roy (Managing Director) (till August 10, 2015)

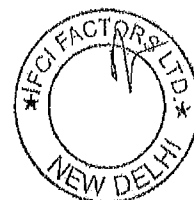
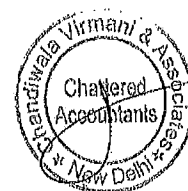
Mr. Satbir Singh (Managing Director) (w.e.f. August 10, 2015)

Mr. Ankur Agarwal (Company Secretary) (till July 16, 2015)

Mr. Samir Raheja (Company Secretary) (w.e.f. July 17, 2015)

Mr. Lalit Bansal (Chief Financial Officer) (till January 29, 2016)

Mr. Manish Jain (Chief Financial Officer) (w.e.f. February 05, 2016)



**IFCI FACTORS LIMITED**

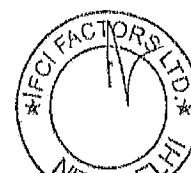
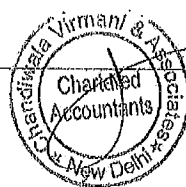
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**B) Transactions with Related Parties and Balances thereof:**

Nature of Transaction	Amount In Rs)	
	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>Rent</b>		
To Holding Company	31,900,137	33,402,613
<b>Loan</b>		
From Holding Company		
Opening Balance	1,000,000,000	1,750,000,000
Add: Fresh Taken	250,000,000	-
Less: Repayments / Conversion	1,000,000,000	750,000,000
Closing Balance	250,000,000	1,000,000,000
<b>Perpetual, Non-Convertible Debenture</b>		
From Holding Company		
Opening Balance	250,000,000	250,000,000
Add: Fresh Taken	-	-
Less: Repayments / Conversion	-	-
Closing Balance	250,000,000	250,000,000
<b>Interest</b>		
To Holding Company		
Opening Balance	23,424,659	66,897,261
Add: Interest for the year	65,291,065	204,250,000
Less: Repayments	82,017,778	247,722,602
Closing Balance	6,697,947	23,424,659
<b>Reimbursement of Expenses:</b>		
To Holding Company		
- Managerial Remuneration	2,858,633	3,483,862
- Others	1,201,622	1,428,576
To IFCI Financial Services Limited	-	50,751
To HARDICON Limited	-	122,107
To NITCON Limited	-	214,165
<b>Remuneration Paid to Key Management Personnel</b>		
Mr. Lalit Bansal	1,507,079	1,225,105
Mr. Rajiv L. Jha	-	656,298
Mr. Ankur Agarwal	291,971	84,443
Mr. Samir Raheja	658,933	-
Mr. Manish Jain	250,952	-
<b>Balance Recoverable / (Payable) at year end:</b>		
To Holding Company	(432,377)	(302,322)
From IFCI Financial Services Limited	(525,872)	1,420,983



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****34. Lease**

Office Premises are on operating lease with tenor upto 12 months and renewable on such terms and conditions as may be mutually agreed between the Company and the Lessor. Lease rentals paid are charged as rent in Statement of Profit and Loss.

**35. Earnings Per Share (EPS)**

Particulars	(Amount in Rs.)	
	Year Ended 31.03.2016	Year Ended 31.03.2015
Net Profit/(Loss) as per Statement of Profit and Loss (Rs.)	(436,733,945)	(595,611,832)
Net Profit/(Loss) for Equity Shareholders for Basic EPS (Rs.)	(436,733,945)	(595,611,832)
Net Profit/(Loss) for Equity Shareholders for Diluted EPS (Rs.)	(436,733,945)	(595,611,832)
Weighted Average no. of Equity Shares for Basic EPS	79,357,700	79,357,700
Add: Equity shares for conversion of preferences shares (CCCPS)	175,081,160	75,038,000
Weighted Average no. of Equity Shares for Diluted EPS	254,438,860	154,395,700
Basic Earnings per Share (Face Value - Rs. 10 per share) (Rs.)	(5.50)	(7.51)
Diluted Earnings per Share (Face Value - Rs. 10 per share) (Rs.)	(1.72)	(3.86)

**36. Expenditure in Foreign Currency:**

Particulars	(Amount in Rs)	
	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>Expenditure in Foreign Currency</b>		
Membership Fee and Subscription Fee	561,525	525,300
Import Factor Commission	8,976,254	4,582,119
Others	436,994	420,905

**37. Employees Benefits****i) Defined Contribution Plan:**

The Company has recognized Provident Fund and Family Pension Schemes contribution Rs. 3,093,743 (previous year Rs. 2,900,344) under defined contribution plan as an expense in the Statement of Profit and Loss.

**ii) Defined Benefit Plan:**

The Company has defined benefit plans in respect of gratuity and leave encashment. Valuation in respect of gratuity and leave encashment has been carried out by an independent actuary, as at the Balance sheet date on Project Unit Credit method.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

The following table summarizes the components of net benefit/ expenses recognized in the Statement of Profit and Loss, the funded status and amounts recognized in the Balance Sheet for the respective plans:

a) Principal Assumptions used in determining gratuity and post-employment benefits are:

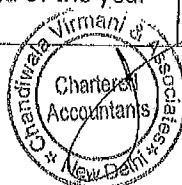
Actuarial Assumptions	Year Ended 31.03.2016	Year Ended 31.03.2015
Discounting Rate	8.00%	8.50%
Future Salary Increase	6.00%	6.00%
Retirement age	58 Years	58 Years
Mortality Rate	IALM (2006-2008)	LIC (1994-96) duly modified
Ages	Withdrawal rate (%)	Withdrawal rate (%)
- Up to 30 Years	3	3
- From 31 to 44 years	2	2
- Above 44 years	1	1

b) Changes in the Present Value of Obligation:

Particulars	(Amount in Rs)			
	Gratuity		Leave Encashment	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
a) Present value of obligation as at beginning of the year	2,870,738	2,653,167	3,361,852	3,403,817
b) Interest cost	244,013	225,519	285,758	289,325
c) Past Service cost	-	-	-	-
d) Current Service cost	733,711	599,861	869,246	743,839
e) Benefits paid	(432,845)	(183,496)	(981,759)	(980,028)
f) Actuarial (gain)/ loss on obligation	314,062	(424,313)	695,615	(95,101)
g) Present value of obligation as at end of the year	3,729,679	2,870,738	4,230,712	3,361,852

c) Fair Value of Plan assets:

Particulars	(Amount in Rs)			
	Gratuity		Leave Encashment	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
a) Fair Value of Plan Assets as at beginning of the year	-	-	-	-
b) Expected return	-	-	-	-
c) Past Service cost	-	-	-	-
d) Contribution	-	-	-	-
e) Benefits paid	-	-	-	-
f) Fair Value of Plan Assets as at end of the year	-	-	-	-
g) Funded status	(3,729,679)	(2,870,738)	(4,230,712)	(3,361,852)



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**d) Actuarial gain/loss recognized:**

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
a) Actuarial (gain)/loss for the year-Obligation	314,062	(424,313)	695,615	(95,101)
b) Actuarial (gain)/loss for the year-Plan assets	-	-	-	-
c) Actuarial (gain)/ loss recognized in the year	314,062	(424,313)	695,615	(95,101)

**e) Amounts to be recognized in the Balance Sheet:**

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
a) Present value of obligation as at end of the year	3,729,679	2,870,738	4,230,712	3,361,852
b) Fair Value of Plan Assets as at end of the year	-	-	-	-
c) Funded status	(3,729,679)	(2,870,738)	(4,230,712)	(3,361,852)
d) Net Liability recognized in the Balance Sheet	(3,729,679)	(2,870,738)	(4,230,712)	(3,361,852)

**f) Expenses recognized in the Statement of Profit and Loss:**

(Amount in Rs)

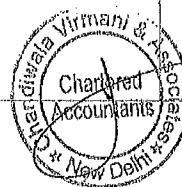
Particulars	Gratuity		Leave Encashment	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
a) Current Service cost	733,711	599,861	869,246	743,839
b) Past service cost	-	-	-	-
c) Interest cost	244,013	225,519	285,758	289,325
d) Return on the plan assets	-	-	-	-
e) Net Actuarial (gain)/loss recognized in the year	314,062	(424,313)	695,615	(95,101)
f) Expenses/(Income) recognized in the Statement of Profit and Loss	1,291,786	401,067	1,850,619	938,063

38. Disclosure in terms of Notification No. DNBR (PD) CC. No. 002/03.10.001/2014-15 dated November 10, 2014 issued by Reserve Bank of India are as under:

**A. Capital:**

(Amount in Rs)

Items	As at 31.03.2016	As at 31.03.2015
CRAR (%)	22.32%	16.10%
CRAR - Tier I Capital (%)	19.72%	14.20%
CRAR - Tier II Capital (%)	2.60%	1.90%
Amount of subordinate debt raised as Tier-II capital	Nil	Nil
Amount raised by issue of Perpetual Debt Instruments	Nil	Nil
% of Perpetual Debt to Net Capital (ex-Perpetual debt)	9.79%	17.65%



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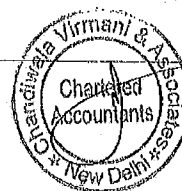
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****B. Investments:**

(Amount in Rs)

Particulars		As at 31.03.2016	As at 31.03.2015
Value of investment			
Gross Value of Investments			
(a)	In India	44,555,246	44,555,246
(b)	Outside India,	-	-
Provisions for Depreciation			
(a)	In India	26,700,000	126,283
(b)	Outside India,	-	-
Net Value of Investments			
(a)	In India	17,855,246	4,4428,963
(b)	Outside India,	-	-
Movement of provisions held towards depreciation on investments			
(i)	Opening balance	126,283	126,283
(ii)	Add : Provisions made during the year	26,573,717	-
(iii)	Less : Write-off / write-back of excess provisions during the year	-	-
(iv)	Closing balance	26,700,000	126,283

**C. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:**

Particulars	As at 31.03.2016	As at 31.03.2015
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain / loss over net book value	Nil	Nil





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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****D. Details of Assignment transactions undertaken:**

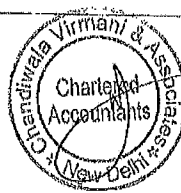
Particulars	As at 31.03.2016	As at 31.03.2015
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain / loss over net book value	Nil	Nil

**E. Details of Non-performing Financial Assets Purchased:**

Particulars	As at 31.03.2016	As at 31.03.2015
(i)(a) No. of accounts purchased during the year	Nil	Nil
(i)(b) Aggregate outstanding	Nil	Nil
(ii)(a) Of these, number of accounts restructured during the year	Nil	Nil
(ii)(b) Aggregate outstanding	Nil	Nil

**F. Details of Non-performing Financial Assets Sold:**

Particulars	As at 31.03.2016	As at 31.03.2015
(i) No. of accounts sold	Nil	Nil
(ii) Aggregate outstanding	Nil	Nil
(iii) Aggregate consideration received	Nil	Nil



IFCI Factors Limited

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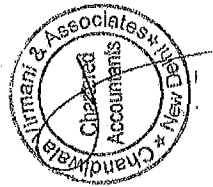
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**G. Asset Liability Management Maturity Pattern of Assets and Liabilities:**

		(Amount in Rs)									
		1 day to 30/31 days	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 Years	Total	
<b>Liabilities:</b>											
Borrowings from Banks		12,000,000	12,000,000	12,000,000	411,000,000	2,355,500,000	80,000,000	-	-	2,882,500,000	
Market Borrowings		-	-	250,000,000	-	-	419,000,000	-	1,834,032,679	2,503,032,679	
<b>Total</b>		12,000,000	12,000,000	262,000,000	411,000,000	2,355,500,000	499,000,000	-	1,834,032,679	5,385,532,679	
(Previous Year)		12,000,000	12,000,000	12,000,000	36,000,000	3,200,000,000	440,000,000	210,000,000	1,828,196,655	5,750,196,655	
<b>Assets:</b>											
Advances		727,624,000	959,186,000	840,698,000	1,138,603,000	655,656,000	1,568,216,000	1,002,500,000	2,045,065,985	8,937,548,985	
Investments		-	-	-	-	-	-	-	44,555,246	44,555,246	
<b>Total</b>		727,624,000	959,186,000	840,698,000	1,138,603,000	655,656,000	1,568,216,000	1,002,500,000	2,089,621,231	8,982,104,231	
(Previous Year)		932,494,000	1,213,003,000	886,725,000	1,182,023,000	705,658,000	950,000,000	940,000,000	1,433,083,895	8,242,986,895	

Note: Amount is excluding interest.



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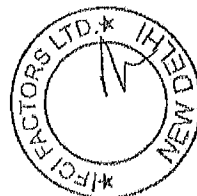
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**H. Exposure to Real Estate Sector:**

Category		(Amount in Rs)	
		As at 31.03.2016	As at 31.03.2015
a)	Direct exposure		
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	-	-
(ii)	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, 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;	1,072,972,417	738,663,724
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
	A Residential,	-	-
	B Commercial Real Estate.	-	-
b)	Indirect exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

**I. Exposure to Capital Market:**

Particulars		(Amount in Rs.)	
		As at 31.03.2016	As at 31.03.2015
(i)	Direct investments 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	25,355,246	25,355,246
(ii)	Advances against shares/bonds/debenture or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds	Nil	Nil
(iii)	Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented	237,430,017	452,555,541



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

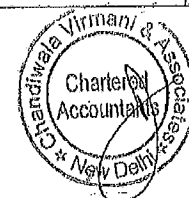
	mutual funds are taken as primary securities		
(iv)	Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debenture or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	173,326,787	230,406,997
(v)	Secured and unsecured advances to the stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	Nil	Nil
(vi)	Loan sanctioned to corporate against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	Nil	Nil
(vii)	Bridge loans to companies against expected equity flows / issues.	Nil	Nil
(viii)	All exposure to Venture Capital Funds both registered and unregistered)	Nil	Nil
<b>Total exposure to capital market</b>		<b>436,112,050</b>	<b>708,317,784</b>

**J. Details of Single Borrower Limit / Group Borrower Limit exceeded by the Company:**

During the year, the Company has not exceeded the prudential exposure limit in respect of fresh sanctions. However, in some cases as stated below, sanction limit/outstanding balance are exceeding the prudential exposure limit in respect of cases sanctioned in earlier years. However as on March 31, 2016 Company has net owned fund of Rs. 140.20 Crore, as per prudential norms sanction limit is Rs. 21.00 crore.

(Amount in Rs.)

Particulars	Sanctioned Limit	Outstanding Balance
SYNERGIES CASTINGS LIMITED (EXPORT)	220,000,000	222,315,089
OMAXE	195,000,000	195,000,000
VATIKA LIMITED	180,000,000	130,000,000
VNR INFRASTRUCTURES LIMITED	180,000,000	180,000,000
EMC LIMITED	180,000,000	182,246,706
IND SWIFT LABORATORIES LTD.	180,000,000	178,888,310
LEEWAY LOGISTIC LTD.	180,000,000	138,412,899
TDI INFRASTRUCTURE LIMITED	180,000,000	145,259,219



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

C & C CONSTRUCTION LIMITED (SALES)	180,000,000	75,437,984
GEI INDUSTRIAL SYSTEMS LTD.	180,000,000	147,493,193
R.P. INFOSYSTEMS PVT. LTD.	180,000,000	152,100,758
CORE EDUCATION AND TECHNOLOGIES LIMITED	175,000,000	149,110,690
BLUE STAMPINGS & FORGINGS LIMITED	170,000,000	110,653,539
ARCH PHARMALABS LIMITED	150,000,000	161,905,179
ACCURATE TRANSFORMERS LTD.	150,000,000	147,228,879
ARCHON ENGICON PVT. LTD.	150,000,000	133,275,121
CONCAST STEEL & POWER LIMITED	150,000,000	131,037,408
ERA INFRA ENGINEERING LIMITED – SB	150,000,000	150,000,000
FUTURE RETAIL LIMITED	150,000,000	112,959,383
RAUNAQ AUTOMOTIVE COMP. LTD.	150,000,000	93,413,756
TRIMEX SANDS PRIVATE LIMITED	150,000,000	1,883,586
APEX BUILDSYS LIMITED	150,000,000	150,009,370
NET 4 COMMUNICATIONS LTD.	150,000,000	133,642,858
SHREESHYAM PULP AND BOARD MILL LIMITED	150,000,000	149,717,183

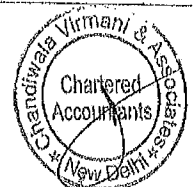
K. Certificated of Registration no. as issued by Reserve Bank of India - B-14.01248

L. No penalty has been imposed by RBI and any other regulators during the year.

M. Rating assigned by credit rating agencies and migration of ratings during the year:

Rating Agency	CARE Ratings	
	As at 31.03.2016	As at 31.03.2015
Instruments/Facilities		
Long Term bank facilities *	CARE A - (SO) (Single A Structured Obligation)	CARE A - (SO) (Single A Structured Obligation)
Short Term bank facilities*	CARE A1 (SO) ((A One (Structured Obligation))	CARE A1 (SO) ((A One (Structured Obligation))
Long Term bank facilities (Standalone)	CARE BBB (Triple B)	CARE BBB (Triple B)
Short Term Bank Facilities (Standalone)	CARE A3 ( A Three)	CARE A3 ( A Three)
Long Term Non-Convertible Debentures	CARE A- (Single A Minus)	CARE A- (Single A Minus)
Commercial Paper (CP) *	CARE A1 (SO) ((A One (Structured Obligation))	CARE A1 (SO) ((A One (Structured Obligation))

\*Structured Obligation -----> Backed by Letter of Comfort from IFCI Limited.



**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

Rating Agency	Brickwork Ratings	
	As at 31.03.2016	As at 31.03.2015
Instruments/Facilities		
Secured Non-Convertible Debentures	BWR A- : Pronounced BWR A Minus (Outlook Stable)	BWR A : Pronounced BWR A (Outlook Stable)
Unsecured Non-Convertible Debentures	BWR A- : Pronounced BWR A Minus (Outlook Stable)	BWR A : Pronounced BWR A (Outlook Stable)

**N. Provisions and Contingencies:**

(Amount in Rs)

Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss account	As at 31.03.2016	As at 31.03.2015
Provisions for depreciation on Investment	1,92,00,000	-
Provision for Diminution in value of Non-Current Investments	7,373,717	-
Provisions towards NPA	544,416,942	858,736,388
Provision made towards Income tax	-	7,322,968
Provision for Standard Assets	(40,358,994)	18,212,605

**O. Draw Down from Reserves:**

Particulars	As at 31.03.2016	As at 31.03.2015
Depreciation	-	988,385
Securities Premium	-	8,911,350

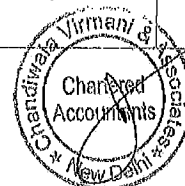
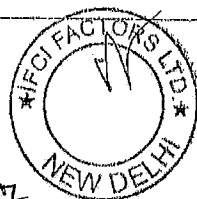
**P. Concentration of Advances, Exposures and NPAs:**

**a) Concentration of Advances**

	(Amount in Rs.)
Total Advances to twenty largest borrowers	2,908,259,419
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	32.54%

**b) Concentration of Exposures**

	(Amount in Rs.)
Total Exposure to twenty largest borrowers / customers	3,465,000,000
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	27.40%



**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**c) Concentration of NPAs**

(Amount in Rs.)

Total Exposure to top four NPA accounts	675,672,424
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**d) Sector-wise NPAs:**

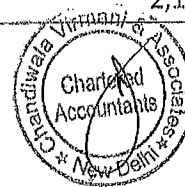
(Amount in Rs.)

Sl. No.	Sector	Percentage of NPAs to Total Advances in that Sector
1	Agriculture & allied activities	-
2	MSME	196,738,088
3	Corporate borrowers	2,294,130,383
4	Services	699,996,844
5	Unsecured personal loans	-
6	Auto loans	-

**e) Movement of NPA:**

(Amount in Rs.)

Particulars		As at 31.03.2016	As at 31.03.2015
(i)	Net NPAs to Net Advances (%)	15.32%	10.78%
(ii)	<b>Movement of NPAs (Gross)</b>		
	(a) Opening balance	2,317,543,273	2,377,365,807
	(b) Additions during the year	1,209,360,059	521,167,213
	(c) Reductions/write-offs during the year	(336,038,017)	(580,989,746)
	(d) Closing balance	3,190,865,315	2,317,543,273
(iii)	<b>Movement of Net NPAs</b>		
	(a) Opening balance	710,934,483	1,629,493,411
	(b) Additions during the year	356,840,339	(669,019,646)
	(c) Reductions/write-offs during the year	(27,935,238)	(249,539,281)
	(d) Closing balance	1,039,839,584	710,934,483
(iv)	<b>Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
	(a) Opening balance	1,606,608,790	747,872,396
	(b) Provisions made during the year	852,519,720	1,190,186,859
	(c) Write-off / write-back of excess provisions	(308,102,779)	(331,450,465)
	(d) Closing balance	2,151,025,731	1,606,608,790



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

39. Disclosure in terms of Paragraph 13 of Prudential Norms as per Notification No.DNBS.193 DG (VL)-2007 dated February 22, 2007 issued by Reserve Bank of India.

(A) Loans and advances availed, inclusive of interest accrued thereon but not paid:

(Amount in Rs)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Outstanding	Overdue	Outstanding	Overdue
a) Debentures/ Bonds				
- Secured	1,080,624,393	-	1,051,890,139	-
- Unsecured	1,325,747,935	-	1,325,747,939	-
b) Deferred Credits	-	-	-	-
c) Term Loans (including demand loan)	2,867,934,297	-	2,401,300,033	-
d) Inter-corporate loans and borrowing	-	-	-	-
e) Commercial Paper	-	-	-	-
f) Other Loans (Cash Credit and Overdraft)	286,532,679	-	1,132,196,655	-

The Company has not defaulted in repayment of dues to any Financial Institution or Bank.

(B) Break up of Loans and Advances including Bills Receivables:

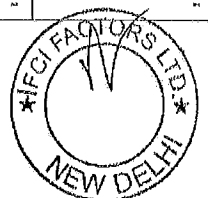
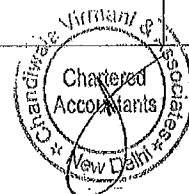
(Amount in Rs)

Particular	As at 31.03.2016	As at 31.03.2015
a. Secured	3,819,069,773	1,980,716,456
b. Unsecured	6,240,245,325	7,771,224,819
<b>Total</b>	<b>10,059,315,098</b>	<b>9,751,941,275</b>

(C) Break up of Leased Assets and stock on hire and other assets counting towards loan activities:

(Amount in Rs)

Particular	As at 31.03.2016	As at 31.03.2015
1. Lease assets including lease rentals under sundry debtors :		
(a) Financial Lease	-	-
(b) Operating lease	-	-
2. Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
3. Other loans counting towards AFC activities:		
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-





**IFCI FACTORS LIMITED**

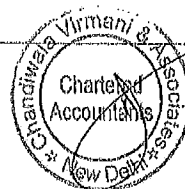
CIN NO:-U74899DL1995GOI074649

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

(D) Break up of Investments:

Particular	(Amount in Rs)	
	As at 31.03.2016	As at 31.03.2015
<b><u>Current Investment</u></b>		
1. <u>Quoted:</u>		
(i) Shares : Equity : Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Other	-	-
<u>Unquoted:</u>		
(i) Shares : Equity : Preference	-	-
(ii) Debentures and Bonds	19,200,000	19,200,000
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Other	-	-
<b><u>Long Term Investment</u></b>		
<u>Quoted:</u>		
(i) Shares : Equity : Preference	25,228,963	25,228,963
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Other	-	-
<u>Unquoted:</u>		
(i) Shares : Equity : Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Other	-	-



**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

(E) Borrower group-wise classification of assets financed (including contractual obligations):

(Amount in Rs)

Particulars	Amount net of Provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	3,819,069,773	4,089,219,594	7,908,289,367
<b>Total</b>	<b>3,819,069,773</b>	<b>4,089,219,594</b>	<b>7,908,289,367</b>
(Previous Year)	1,980,716,456	6,164,616,036	8,145,332,492

(F) Investor group wise classification of all investment (current and long term) in shares and securities (both quoted and unquoted):

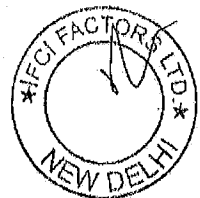
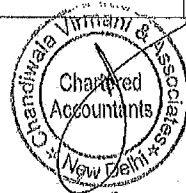
(Amount in Rs)

Category	Market Value / Break up of fair value of NAV	Book Value (Net of provisions)
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in same group	-	-
(c) Other related parties	-	-
2. Other than related parties (previous year)	13,584,977 (35,032,923)	17,855,246 (44,428,963)

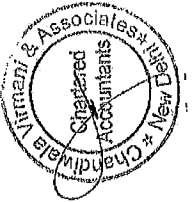
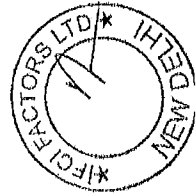
(G) Other Information:

(Amount in Rs)

Particulars	As at 31.03.2016	As at 31.03.2015
3. Gross Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	3,190,865,314	2,317,543,273
4. Net Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	1,039,839,583	710,934,490
5. Assets acquired in satisfaction of debts	-	-



Asset Classification	Under CR Scheme					Others					Total				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1 Restructured accounts as on April 01, 2015	130,005,574	-	-	286,850,511	496,856,085	-	136,527,595	193,794,585	396,495,269	471,117,449	120,045,577	136,527,595	113,794,585	496,365,180	978,579,897
Provision thereon	29,095,000	-	-	1,74,028,769	197,093,769	-	29,900,000	64,000,000	1,99,495,269	287,895,269	23,895,000	29,900,000	64,000,000	379,494,938	484,419,938
2 Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	7,971,971	-	-	72,525	8,044,496	-	-	-	-	805,189	7,971,971	-	169,005	269,709	8,409,685
Provision thereon	6,584,817	-	-	112,884,667	121,469,484	-	-	-	-	96,800,000	6,584,817	-	36,600,000	113,028,851	158,298,868
3 Upgrades to restructured standard category	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Restructured standard category to "special" category - which carries a higher weight and / or additional risk weight and hence need not be shown as restructured standard category at the beginning of the next year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Downgrade of restructured accounts during this year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	149,077,616	-	-	-	-	149,077,616	-	-
Provision thereon	-	-	-	-	-	-	-	(14,907,516)	-	-	-	-	(22,400,000)	-	-
6 Write-Offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Reduction in Principal/Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	125,018,258	125,018,258	-	5,794,588	-	-	5,794,588	-	-	-	125,018,258	136,512,511
Provision thereon	-	-	-	125,018,258	125,018,258	-	300,000	-	-	300,000	-	-	-	125,018,258	126,318,258
8 Restructured accounts as on March 31, 2016	132,977,548	-	-	161,005,178	289,882,726	-	4,055,896	262,890,206	199,652,655	466,689,055	127,977,548	4,055,896	262,890,206	361,557,651	756,570,821
Provision thereon	31,636,517	-	-	353,863,176	385,501,693	-	1,200,000	123,900,000	199,652,655	328,852,453	81,526,517	1,200,000	123,900,000	361,557,651	517,364,149



**IFCI FACTORS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**41. Monitoring of Fraud**

- a. In terms of RBI circular No. DNBS.PD.CC. No. 256 /03.10.042 / 2011-12 dated March 02, 2012, the Company has identified and reported to Reserve Bank of India one fraud accounts amounting to Rs. 83,690,000 during the current year (Previous year – Rs. 456,654,000).
- b. Apart from above in 15 suspected fraud cases out of which in 15 cases criminal complaints have been filed by the company against borrower companies and other related persons at various police authorities for detection of frauds. These cases shall be reported to RBI on detection of fraud if any.
42. 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.
43. Previous year's figures have been regrouped / rearranged wherever considered necessary.

As per our audit report of even date attached

For Chandiwala Virmani & Associates.

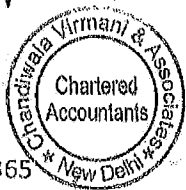
Chartered Accountants

Firm Registration No. 000082N

(Bharat Bhushan)

Partner

Membership No. 087365



Date: April 29, 2016

Place: New Delhi

For and on behalf of Board of Directors

*Satbir Singh*  
(Satbir Singh)

Managing Director

DIN – 06887978

*Manish Jain*

(Manish Jain)

Chief Financial Officer

*Sudhir Garg*

(Sudhir Garg)

Director

DIN- 06777363

*Samir Raheja*

(Samir Raheja)

Company Secretary

