

IFCI FACTORS LIMITED

19TH ANNUAL REPORT 2013-14

Corporate Information

Board of Directors

Mr. Malay Mukherjee*	Non-Executive Chairman
Mr. Sudhir Garg**	Non-Executive Director
Mr. Shrawan Nigam	Non-Executive & Independent Director
Prof. Vinod Kumar Gupta	Non-Executive & Independent Director
Mr. Ajoy Kumar Deb	Non-Executive & Independent Director
Mr. Rajib Sekhar Sahoo***	Non-Executive & Independent Director
Mr. Bikash Kanti Roy****	Managing Director

* Mr. Malay Mukherjee has been appointed as an Additional Director and Chairman of the Company w.e.f. December 26, 2013

**Mr. Sudhir Garg has been appointed as the Additional Director of the Company w.e.f. January 01, 2014.

*** Mr. Rajib Sekhar Sahoo has been appointed as the Additional Director of the Company w.e.f. August 13, 2014.

****Mr. Bikash Kanti Roy has been appointed as an Additional Director w.e.f. March 24, 2014 and subsequently as the Managing Director of the Company w.e.f. March 24, 2014.

Registered Office

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

Sr. Associate Vice President & Company Secretary

Mr. Rajiv L. Jha

Chief Financial Officer

Mr. Lalit Bansal

Auditors

M/s S. N. Dhawan & Co.
Chartered Accountants, New Delhi

Registrar

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400078

Bankers

Canara Bank
Axis Bank Limited
Chinatrust Commercial Bank
SIDBI
Deutsche Bank AG

Dena Bank
IndusInd Bank Limited
Andhra Bank
The South Indian Bank Limited

IFCI FACTORS LIMITED

NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Nineteenth (19th) Annual General Meeting of Members of IFCI Factors Limited will be held on Wednesday, 10th day of September, 2014 at 11:00 a.m. at Training-cum-Conference Room, 17th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited financial statement of the Company for the financial year ended March 31, 2014, the reports of the Board of Directors and Auditors thereon by passing, if deemed fit, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Financial Statements of the Company for the financial year ended March 31, 2014 including Audited Balance Sheet as at March 31, 2014 and the Statement of Profit & Loss of the Company for the year ended on that date, together with Reports of Board of Directors and Auditors and comments of Comptroller & Auditor General of India thereon under the provisions of Section 619(4) of the Companies Act, 1956 (to be read under corresponding provisions of Section 143(6) of the Companies Act, 2013), as presented to the meeting, be and are hereby, considered and adopted."

2. To consider and fix the remuneration of the Statutory Auditors of the Company for the financial year 2014-15 as appointed by the Comptroller & Auditor General of India (C&AG) by passing, if deemed fit, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139(5) and 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 / Audit Committee of Directors of the Company, be and is hereby, authorized to decide and fix the remuneration of the Statutory Auditor(s) of the Company as appointed by the Comptroller and Auditor General of India (C&AG) for the Financial Year 2014-15, as may be deemed fit."

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV to the Act, and all other applicable provisions, if any, of the Companies Act, 2013 and the

IFCI FACTORS LIMITED

Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rajib Sekhar Sahoo, (DIN: 02708503), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and Article 101 of the Articles of Association of the Company, and who holds office upto the date of the 19th Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013, from the member, proposing his candidature for the office of Director, be and is hereby, appointed as an Independent Director of the Company to hold office for a term upto 3 (three) consecutive years commencing from the date of 19th Annual General Meeting of the Company, 2014."

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, (including any statutory modification(s) or reenactment thereof for the time being in force), Mr. Shrawan Nigam (DIN: 01942618), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director, be and is hereby, appointed as an Independent Director of the Company, to hold office for a term of upto 3 (three) consecutive years."

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, (including any statutory modification(s) or reenactment thereof for the time being in force), Prof. Vinod Kumar Gupta (DIN: 03491240), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing, under Section 160 of the Companies Act, 2013, from a member proposing his candidature for the office of Director, be and is hereby, appointed as an Independent Director of the Company, to hold office for a term of upto 3 (three) consecutive years."

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies

IFCI FACTORS LIMITED

(Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, (including any statutory modification(s) or reenactment thereof for the time being in force), Mr. Ajoy Kumar Deb (DIN: 02691119), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, to hold office for a term of upto 3 (three) consecutive years.”

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

“RESOLVED THAT Mr. Malay Mukherjee (DIN: 02272425), who was appointed as an Additional Director and Chairman of the Company by the Board of Directors with effect from December 26, 2013, in terms of Section 161 of the Companies Act, 2013 and Articles 101 and 120 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby, appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT Mr. Sudhir Garg (DIN: 06777363), who was appointed as an Additional Director of the Company by the Board of Directors with effect from January 01, 2014, in terms of Section 161 of the Companies Act, 2013 and Article 101 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby, appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT Mr. Bikash Kanti Roy (DIN: 02171876), who was appointed as an Additional Director and Managing Director of the Company by the Board of Directors with effect from March 24, 2014, in terms of Section 161 of the Companies Act, 2013 read with Sections 198, 269, 309, 310, 311 read with Schedule XIII of the then Companies Act, 1956 [corresponding to Sections 196, 197, and 203 read with Schedule V of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014], and Article 101 of the Articles of Association of the Company, and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of

IFCI FACTORS LIMITED

Director, be and is hereby, appointed as a Director of the Company, not liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), (corresponding to Sections 198, 269, 309, 310, 311 of the then Companies Act, 1956 read with Schedule XIII thereto), the consent of the Company, be and is hereby, accorded to the appointment of Mr. Bikash Kanti Roy (DIN: 02171876) as the Managing Director of the Company for a period of one year effective from March 24, 2014 on the terms and conditions as contained in the letter from IFCI Ltd. (Holding Company) bearing Ref. HR.139/2014-030406; dated March 31, 2014, and the Board of Directors/Nomination and Remuneration Committee of Directors of the Company, be and is hereby, authorised to alter and vary such terms of appointment and remuneration (including perquisites) so as not to exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956).”

“RESOLVED FURTHER that in the event of absence or inadequacy of profit in any financial year during his tenure, the aforesaid remuneration shall be paid as minimum remuneration subject to compliance of provisions of Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment(s) thereof as in force from time to time.”

“RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors/Nomination & Remuneration Committee of Directors of the Company, be and is hereby, authorized to do all such acts, deeds and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit.”

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

“RESOLVED THAT in supersession of the Special Resolution passed by the shareholders of the Company, under Section 293(1)(d) of the then Companies Act, 1956, in the Extraordinary General Meeting held on July 12, 2011 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, as amended from time to time, the consent of the Company, be and is hereby, accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any Committee thereof for the time being exercising the powers

IFCI FACTORS LIMITED

conferred on the Board by this Resolution) for borrowing from time to time, any sum or sums of monies, whether secured or unsecured, and on such terms and conditions as may be considered appropriate by the Board, which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not so set apart for any specific purpose, provided that the total amount upto which the moneys may be borrowed by the Board shall not exceed a sum of Rs. 1500 Crore (Rupees Fifteen Hundred Crore only) at any given point of time."

"RESOLVED FURTHER THAT the Board, be and is hereby, authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to rate of interest, repayment, security or otherwise, howsoever, as it may think fit and to do all such acts, deeds and things including execution of all documents, instruments and writings as may be necessary and incidental thereto from time to time."

- 12.** To consider and if thought fit, to pass, with or without modification(s), the following resolution(s), as Special Resolution(s):

"RESOLVED that pursuant to Section 180(1)(a) and/or other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby given to the creation by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) of such mortgages, charges and hypothecations as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board may direct, to or in favour of financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, other bodies corporate (hereinafter referred to as the "Lending Agencies") and Trustees for the holders of debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an outstanding aggregate value not exceeding Rs. 1500 crore (Rupees Fifteen Hundred Crore only) together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and/or to the Lending Agencies under their respective Agreements entered into/to be entered into by the Company in respect of the said borrowings."

"RESOLVED FURTHER THAT the Board, be and is hereby, authorized to finalize with the Lending Agencies/ Trustees, the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts, deeds and things

IFCI FACTORS LIMITED

including execution of all such documents, instruments and writings as may be necessary and incidental thereto."

13. To consider and if thought fit, to pass, with or without modification(s), the following resolution(s), as a Special Resolution(s):

"RESOLVED THAT pursuant to the provisions of Sections 42, 71, 62 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities), Rules 2014, consent of the Company, be and is hereby, accorded to the Board of Directors (hereinafter referred to as the "Board" which term shall include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) for having made and /or making offer(s) or invitation to subscribe to securities, including but not limited to bonds and non-convertible debentures, by way of private placement in one or more tranches, on such terms and conditions as it may consider proper, upto an amount not exceeding Rupees 500 Crore (Rupees Five Hundred Crore only) in the year commencing from the date of approval by shareholders."

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby, authorized to do all such acts, deeds and things and give such directions as may be deemed necessary or expedient, to give effect to this Resolution".

IFCI Factors Limited
Registered Office:
10th Floor, IFCI Tower, 61,
Nehru Place, New Delhi – 110019
CIN: U74899DL1995PLC074649
Phone: +91-11-4173 2000
Fax: +91-11-4652 1435-36
Website: www.ifcifactors.com
Email: rajivjha@ifcifactors.com

By Order of Board of Directors
Sd/-
Rajiv L. Jha
Sr.AVP & Company Secretary

New Delhi
August 13, 2014

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "MEETING") 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 THE MEETING. A PERSON CAN ACT AS A PROXY ON BEHALF OF

IFCI FACTORS LIMITED

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. Corporate members intending to send their authorised representatives to attend the Annual General Meeting (hereinafter “the Meeting”) 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 Meeting.
3. The Explanatory Statement pursuant to the provisions of Section 102 of the Companies Act, 2013, setting out material facts relating to the Special Business to be transacted at the Meeting under Item Nos. 3 to 13 is annexed hereto.
4. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. All documents referred to in the accompanying Notice and/or the Explanatory Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
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 (“IEPF” or “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. Those members who have not so far encashed their Dividend Warrants/Cheques for the Financial Year 2006-07 or any subsequent year/s, may immediately approach the Company for issuance of demand drafts in lieu thereof.
9. 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.
10. 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.
11. Members are requested to intimate to the Company any queries regarding the accounts/notices at least ten days before the Annual General Meeting to enable the management to keep the information ready at the meeting.

IFCI FACTORS LIMITED

**EXPLANATORY STATEMENT
PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (“the Act”)**

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

Item No. 3

Pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company, the Board of Directors of the Company appointed Mr. Rajib Sekhar Sahoo as an Additional Director of the Company with effect from August 13, 2014.

Mr. Rajib Sekhar Sahoo is a practicing Chartered Accountant. He is one of the Principal partner of M/s SRB & Associates, Chartered Accountants. He also holds directorships in NTPC Limited (a Maharatna Company of Govt. of India), Hindustan Zinc Limited, and THDC India Limited (Tehri Hydro Development Corporation India Limited).

In terms of the provisions of Section 161(1) of the Act, Mr. Rajib Sekhar Sahoo would hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member alongwith the deposit of requisite amount under Section 160 of the Act proposing his candidature for the office of Director of the Company. Mr. Rajib Sekhar Sahoo is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. The Company has received a declaration from Mr. Sahoo that he meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act. Mr. Sahoo possesses appropriate skills, experience and knowledge, *inter alia*, in the field of finance.

Further, Section 149 of the Act stipulates that an independent director can hold office for a term up to 5 (five) consecutive years on the Board of a company and he shall not be included in the total number of directors for retirement by rotation.

Board is of the opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder and is independent of the management. Copy of the draft letter of appointment of Mr. Rajib Sekhar Sahoo as an Independent Director setting out the terms and conditions would be available for inspection without any fee 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 Annual General Meeting.

Except Mr. Rajib Sekhar Sahoo, being an appointee, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out in Item No. 3 of the accompanying Notice.

IFCI FACTORS LIMITED

Accordingly, your Directors propose the appointment of Mr. Rajib Sekhar Sahoo as an Independent Director of the Company for a term upto 3 (three) consecutive years, and not being liable to retire by rotation and recommends the Resolution as set out in Item No. 3 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Item No. 4

Mr. Shrawan Nigam is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in June, 2011 and retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956.

A former Civil Servant, held various senior economic advisory positions in the Government of India, which included Senior Advisor in the Planning Commission, Economic Advisor to Government of India in Ministry of Commerce & Industry, Economic Advisor in the Ministry of Petroleum and Natural Gas, Chief General Manager in IFCI Ltd, Additional Economic Advisor in Ministry of Finance and Director (Planning & Research) in Mormugao Port Trust. He retired from Civil Services in 2007, and joined Indian Council for Research on International Economic Relations, an economic policy think tank, in March 2008. During his assignment as Senior Advisor Planning Commission, he was in-charge of the International Economics Division and Development Policy Division.

It is proposed to appoint Mr. Shrawan Nigam as Independent Director under Section 149 of the Act, not liable to retire by rotation, to hold office, for a term upto 3 (three) consecutive years.

Mr. Shrawan Nigam is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and have given his consent to act as a Director. The Company has received notice in writing from a member along with deposit of requisite amount under Section 160 of the Act, proposing the candidature of Mr. Shrawan Nigam for the office of the Independent Director of the Company.

The Company has received declaration from Mr. Shrawan Nigam that he meets the criteria of independence prescribed under sub section (6) of Section 149 of the Act. Accordingly, the Board is of the opinion that he fulfills the conditions prescribed for an independent director under the provisions of the Companies Act, 2013 and the rules made thereunder and is independent of the management.

Copy of the draft letter for appointment of Mr. Shrawan Nigam as an Independent Director setting out the terms and conditions would be available for inspection without any fee 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 Annual General Meeting.

IFCI FACTORS LIMITED

Except Mr. Shrawan Nigam, being an appointee, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out in Item No. 4 of the accompanying Notice.

Accordingly, your Directors propose the appointment of Mr. Shrawan Nigam as an Independent Director of the Company, for a term upto three consecutive years, not liable to retire by rotation, and recommend the Resolution as set out in Item No. 4 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Item No. 5

Prof. Vinod Kumar Gupta is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in March, 2011 and retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956.

A former Scientist, Prof. Vinod Kumar Gupta started his career in DRDO, MoD, Govt. of India in 1968 and was with D.R.D.O till 1991. At D.R.D.O., he was involved in the Design and Development of systems and sub - systems for aircrafts. He was Staff Officer to the Director of Laboratory. Prof. Gupta has imparted management training to the Armed Forces Officers and Senior Officers from MoD. Prof. Gupta has designed a Management Control System for large projects such as MBT (Arjun). He was Chief Instructor of Defence Institute of Works, Mussorrie. Presently, Prof. Gupta is Dean, Management Development Institute, Gurgaon.

It is proposed to appoint Prof. Vinod Kumar Gupta as Independent Director under Section 149 of the Act, not liable to retire by rotation, to hold office, for a term upto 3 (three) consecutive years.

Prof. Vinod Kumar Gupta is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and have given his consent to act as a Director. The Company has received notice in writing from a member along with deposit of requisite amount under Section 160 of the Act, proposing the candidature of Prof. Vinod Kumar Gupta for the office of the Independent Director of the Company.

The Company has received declaration from Prof. Gupta that he meets the criteria of independence prescribed under sub section (6) of Section 149 of the Act. Accordingly, the Board is of the opinion that he fulfills the conditions prescribed for an independent director under the provisions of the Companies Act, 2013 and the rules made thereunder and is independent of the management.

Copy of the draft letter for appointment of Prof. Vinod Kumar Gupta as an Independent Director setting out the terms and conditions would be available for inspection without any fee

IFCI FACTORS LIMITED

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 Annual General Meeting.

Except Prof. Vinod Kumar Gupta, being an appointee, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out in Item No. 5 of the accompanying Notice.

Accordingly, your Directors propose the appointment of Prof. Vinod Kumar Gupta as an Independent Director of the Company, for a term upto 3 (three) consecutive years, not liable to retire by rotation, and recommend the Resolution as set out in Item No. 5 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Item No. 6

Mr. Ajoy Kumar Deb is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in August, 2013 and retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956.

Mr. Ajoy Kumar Deb has retired as the Chief General Manager (Associates & Subsidiaries Group), State Bank of India, and is having around 38 years of experience in a wide variety of functions with significant management responsibilities across India and UK. He has a vast experience in the financing of asset-loans and advances, corporate governance, and general administration in the banking industry. He is a Masters in Science (Chemistry) from IIT Bombay, a Bachelor in Science (Chemistry) from Fergusson College, Pune, and CAIIB. Since January 29, 2013, he is on Board of SME Rating Agency of India Limited.

It is proposed to appoint Mr. Ajoy Kumar Deb as Independent Director under Section 149 of the Act, not liable to retire by rotation, to hold office, for a term upto 3 (three) consecutive years commencing from April 1, 2014.

Mr. Ajoy Kumar Deb is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and have given his consent to act as a Director. The Company has received notice in writing from a member along with deposit of requisite amount under Section 160 of the Act, proposing the candidature of Prof. Vinod Kumar Gupta for the office of the Independent Director of the Company.

The Company has received declaration from Mr. Deb that he meets the criteria of independence prescribed under sub section (6) of Section 149 of the Act. Accordingly, the Board is of the opinion that he fulfills the conditions prescribed for an independent director under the provisions of the Companies Act, 2013 and the rules made thereunder and is independent of the management.

IFCI FACTORS LIMITED

Copy of the draft letter for appointment of Mr. Ajoy Kumar Deb as an Independent Director setting out the terms and conditions would be available for inspection without any fee 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 Annual General Meeting.

Except Mr. Ajoy Kumar Deb, being an appointee, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out in Item No. 6 of the accompanying Notice.

Accordingly, your Directors propose the appointment of Mr. Ajoy Kumar Deb as an Independent Director of the Company, for a term upto three consecutive years, not liable to retire by rotation, and recommend the Resolution as set out in Item No. 6 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Item No. 7

The Board of Directors had appointed Mr. Malay Mukherjee as an Additional Director and Chairman of the Company, with effect from December 26, 2013, pursuant to Section 161 of the Companies Act, 2013 and Article 101 of the Articles of Association of the Company.

Mr. Malay Mukherjee is a post-graduate in Physics. He joined Indian Bank as Probationary Officer in 1976 and has more than 35 years of experience in the Banking Industry. He has a wide exposure in the banking industry, having worked in various branches in Assam, Bihar, West Bengal, Maharashtra, Gujarat, New Delhi, as Branch Manager in Indian Bank. He had also worked in Risk Management Department and Technology Management Department of Indian Bank at its Corporate Office. He took over as Executive Director of Central Bank of India in November, 2012 and oversaw the portfolios such as Credit, HR, General Administration, IT, Corporate Communications, Publicity, Marketing, Client coverage and New Initiatives etc. Since December 2013, Mr. Mukherjee is the CEO & Managing Director of IFCI Limited and is also the Chairman of IFCI Infrastructure Development Limited, Tourism Finance Corporation of India Limited, IFCI Venture Capital Funds Limited, IFCI Financial Services Limited and Stock Holding Corporation of India Limited. He is also the Chairman of the Board of Governors of Management Development Institute and Institute of Leadership Development.

Under Section 161(1) of the Companies Act, 2013, Mr. Malay Mukherjee holds office upto to the date of the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Malay Mukherjee for the office of Director of the Company. Mr. Malay Mukherjee is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

IFCI FACTORS LIMITED

Accordingly, your Directors propose the appointment of Mr. Malay Mukherjee as Director of the Company, liable to retire by rotation, and recommend the Resolution as set out in Item No. 7 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Except Mr. Malay Mukherjee, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the accompanying Notice.

Item No. 8

The Board of Directors had appointed Mr. Sudhir Garg as an Additional Director of the Company with effect from January 01, 2014 pursuant to Section 161 of the Companies Act, 2013 and Article 101 of the Articles of Association of the Company.

Mr. Garg is a Postgraduate in Commerce from Delhi University and holds CAIIB and Industrial Finance Certificate (IFC) from Indian Institute of Bankers. He is a seasoned banker having an experience of around 37 years in the banking sector. In 2012, he retired as the Chief General Manager of State Bank of Hyderabad ("Bank") and has acted as the Branch Head of the Bank at Ahmedabad, Chennai, New Delhi, Delhi zone and as the Controller of a Region controlling 45 branches of the Bank. Besides, he also acted as the Regional Head & CEO – SBI, Johannesburg heading SBI, South Africa, and General Manager-Business Head, Treasury & Credit, State Bank of Patiala. He is on the Board of IFCI Venture Capital Funds Limited, Stock Holding Corporation of India Limited, Alok Industries Limited, and Vadinar Oil Terminal Limited.

Under Section 161(1) of the Companies Act, 2013, Mr. Sudhir Garg holds office upto to the date of the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Sudhir Garg for the office of Director of the Company. Mr. Sudhir Garg is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Accordingly, your Directors propose the appointment of Mr. Sudhir Garg as Director of the Company, liable to retire by rotation and recommend the Resolution as set out in Item No. 8 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Except Mr. Sudhir Garg, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the accompanying Notice.

IFCI FACTORS LIMITED

Item No. 9

The Board of Directors of the Company appointed Mr. Bikash Kanti Roy as an Additional Director as well as appointed/designated Mr. Roy as the Managing Director of the Company with effect from March 24, 2014 (for a period of one year therefrom) pursuant to Section 161 of the Companies Act, 2013 and Article 101 of the Articles of Association of the Company as well as under the then applicable provisions of the Companies Act, 1956.

Mr. Bikash K. Roy is a Mechanical Engineer from Jadavpur University and holds Associate Membership of the Chartered Institute of Management Accountants (CIMA), UK. He is having vast experience in Project Appraisal / Analysis of corporate credit proposals, monitoring of standard assets, business opportunities and deal structuring, corporate advisory services, NPA resolution, regional accounting, administration and MIS functions, etc. He is also on the Board of Factor Association of India.

Under Section 161(1) of the Companies Act, 2013, Mr. Bikash Kanti Roy holds office upto to the date of the ensuing Annual General Meeting of the Company.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Bikash Kanti Roy for the office of Director of the Company. Mr. Bikash Kanti Roy is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Accordingly, your Directors propose the appointment of Mr. Bikash Kanti Roy as a Director of the Company, not liable to retire by rotation, and recommend the Resolution as set out in Item No. 9 of the accompanying Notice for the approval of the Shareholders at the ensuing Annual General Meeting.

Except Mr. Bikash Kanti Roy, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 of the accompanying Notice.

Item No. 10

Based on the letter (bearing Ref. No. IFCI/SACC/2014-140319001 dated March 18, 2014) received from the Holding company namely IFCI Limited, the Board of Directors of the Company had appointed/designated Mr. Bikash Kanti Roy, Additional Director, as the Managing Director of the Company effective March 24, 2014 for a period of one year, the terms and conditions pertaining thereto including remuneration of Mr. Bikash Kanti Roy as Managing Director of the Company shall be governed by another letter (bearing Ref. No. HR.139/2014-030406 dated

IFCI FACTORS LIMITED

March 31, 2014) from IFCI Limited, a copy of which is available for inspection by the members of the Company in the manner as provided in the Notes to the accompanying Notice.

In view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 read with Part III of Schedule V thereto, the aforesaid appointment of Mr. Bikash K. Roy and his remuneration are subject to the approval of the shareholders of the Company.

Accordingly, your Directors propose the appointment as well as the remuneration of Mr. Bikash Kanti Roy as the Managing Director of the Company, and recommend the Resolution as set out in Item No. 10 of the accompanying Notice for the approval of the shareholders at the ensuing Annual General Meeting.

Except Mr. Bikash Kanti Roy, being interested in the matter, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 10 of the accompanying Notice.

Item No. 11

The members of the Company, at their Extra-ordinary General Meeting held on July 12, 2011, approved, by way of a Special Resolution under Section 293(1)(d) of the Companies Act, 1956, authorised the Board of Directors to borrow in excess of the aggregate of paid-up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs. 1,500 Crore (Rupees Fifteen Hundred Crore only) excluding temporary loans obtained from the Company's bankers in the ordinary course of business.

Section 180(1)(c) of the Companies Act, 2013, effective from 12th September, 2013, requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution.

Under Section 180 of the Companies Act, 2013, the aforesaid powers of the Board are required to be exercised only with the consent of the Company by way of a Special Resolution. The Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 4/2014 dated March 25, 2014 clarified that the resolution passed under Section 293 of the Companies Act, 1956 prior to 12.09.2013 (i.e. the date of notification of Section 180 of the Companies Act, 2013) with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the company would be considered as sufficient compliance of Section 180 of the Companies Act, 2013 for a period of one year from the aforesaid date of notification of Section 180, i.e. until September 11, 2014. The approval of the Members for the said borrowings is, therefore,

IFCI FACTORS LIMITED

now being sought, by way of a Special Resolution, pursuant to Section 180(1)(c) of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 11 of the accompanying Notice.

Item No. 12

In the recent past, there have been changes in the regulatory environment of borrowings by way of RBI guidelines, Companies Act, 2013 and SEBI Guidelines, owing to which, security is mandatorily required to be created in favour of bondholders/Trustees on behalf of bondholders for various types of bonds/debentures as well as hypothecation of movables/receivables in favour of the bankers. In view of this, approval from shareholders is being sought for creation of security by way of charge or hypothecation on the Company's assets, in respect of borrowings of the Company upto an aggregate amount Rs. 1500 crore.

None of the Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 12 of the accompanying Notice.

Your Directors recommend the said Resolution for approval of the Members.

Item No. 13

As per Section 42 of the Companies Act, 2013 read with the Rules framed there under, a company offering or making an invitation to subscribe to Non-Convertible Debentures ("NCDs") on a private placement basis, is required to obtain the prior approval of the shareholders by way of a Special Resolution. Such an approval by way of special resolution can be obtained once in a year for all the offers and invitations made for such NCDs during the year. Further, Section 62 of the Act provides for further issuance of share capital (to persons other than the existing members) with the approval of shareholders of the Company by way of Special Resolution.

Bonds/debentures are an important source of borrowing for your Company. Your Company has issued non-convertible bonds in the last two years by way of private placement basis as the same is cost-effective and also offers flexibility as compared to public issues. The approval of the Members is being sought by way of a Special Resolution under Sections 42 and 71 of the Act read with the Rules made thereunder, to enable the Company to offer or invite subscriptions for securities, including but not limited to bonds and non-convertible debentures upto Rs. 500 Crore on a private placement basis, in one or more tranches, during the period of one year from the date of passing of this Resolution, within the overall borrowing limits of the Company, as approved by the Members from time to time and which shall include any amount borrowed



IFCI FACTORS LIMITED

through securities offered on private placement basis and subscribed during the current financial year upto the extent of approval of the shareholders proposed at the Resolution at Item No. 13 of the accompanying notice. Further, the Company may also be requiring the fresh infusion of capital for its business operations in the form of equity/preference shares.

None of the Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 13 of the accompanying Notice.

Your Directors recommend the Resolution for approval of the Members.

By Order of Board of Directors
For IFCI Factors Limited

Sd/

New Delhi
August 13, 2014

Rajiv L. Jha
Sr.AVP & Company Secretary

IFCI FACTORS LIMITED

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: U74899DL1995PLC074649

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

Website: www.ifcifactors.com Email: rajivjha@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 19th Annual General Meeting of the Company, to be held on the Wednesday, September 10, 2014 at 11:00 A.M. at Training-cum-Conference Room, 17th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019 and at any adjournment thereof in respect of such resolution/s as are indicated below:

Resolution No.	Resolution/s Matter	Optional	
		For	Against
Ordinary Business			
1.	Adoption of Financial Statements for the financial year ended March 31, 2014		
2.	Fixing the Remuneration of the Statutory Auditors of the Company for the financial year 2014-15 as appointed by the Comptroller & Auditor General of India		

IFCI FACTORS LIMITED

Special Business			
3.	Appointment of Mr. Rajib Sekhar Sahoo as an Independent Director		
4.	Appointment of Mr. Shrawan Nigam as an Independent Director		
5.	Appointment of Prof. Vinod Kumar Gupta as an Independent Director		
6.	Appointment of Mr. Ajoy Kumar Deb as an Independent Director		
7.	Appointment of Mr. Malay Mukherjee as a Director, retiring by rotation		
8.	Appointment of Mr. Sudhir Garg as a Director, retiring by rotation		
9.	Appointment of Mr. Bikash Kanti Roy as a Director, not liable to retire by rotation		
10.	Appointment of Mr. Bikash Kanti Roy as Managing Director and approval of terms of his appointment and remuneration		
11.	Special Resolution under Section 180(1)(c) of the Companies Act, 2013 for borrowing upto Rs. 1500 Crore exceeding the aggregate paid up share capital and free reserves of the Company		
12.	Special Resolution under Section 180(1)(a) of the Companies Act, 2013 for creating mortgages, charges, and hypothecations on the assets of the Company in relation to the borrowings of the Company		
13.	Special Resolution under Section 42, 71, and 62 of the Companies Act, 2013 for further issuance of securities of the Company including but not limited to bonds and non-convertible debentures of the Company		

Signed this day of, 2014

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 Bank, 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 Bank. Further, a Member holding more than ten percent, of the total share capital of the Bank 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.

IFCI FACTORS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The Board of Directors of your Company has the pleasure in presenting the Nineteenth (19th) Annual Report of the Company together with the audited annual accounts of your Company for the Financial Year ended March 31, 2014.

Financial Results

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

(Rs. In Crore)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Total Income	142.15	176.60
Profit/ (Loss) before Depreciation	(48.96)	28.48
Depreciation	0.27	0.25
Profit/ (Loss) before tax	(49.23)	28.23
Provision for Taxation	5.35	11.32
Deferred Tax (Asset)	(19.04)	(2.32)
Profit/ (Loss) after Tax	(35.54)	19.23
Appropriations:		
Profit/ (Loss) Brought down from Balance Sheet	51.11	35.73
Transfer to General Reserve (pursuant to the provision of Section 45 IC of RBI Act, 1934)	-	3.85
Profit/(Loss) carried to Balance Sheet	15.57	51.11

Registration as "NBFC-Factor"

During the year under Report, your Company was re-classified/re-categorised as "NBFC-Factor" (effective December 27, 2013) by the Reserve Bank of India under the provisions of the Factoring Regulation Act, 2011 read with *Non-Banking Financial Company-Factor (Reserve Bank) Directions, 2012* and *RBI Circular bearing Ref. RBI/2012-13/319 DNBS.CC.PD.No.312/03.10.01/2012-13 dated December 07, 2012.*

Operational Performance

Amidst the challenging macroeconomic environment, your Company witnessed a decline in its funds in use (FIU) and a few accounts turning into Non Performing Assets, resulting into the Company incurring losses during the financial year under Report. During the year under Report,

IFCI FACTORS LIMITED

your Company achieved a turnover of Rs. 2864.67 Crore (a decline of 31.73% Y-O-Y) and a gross income of Rs. 142.15 Crore (a decline of 19.51% Y-O-Y). Further, your Company incurred a loss before tax of Rs. 49.24 Crore and a loss after tax of Rs. 35.54 Crore.

The major financial parameters for the financial year ended 31.03.2014 vis-à-vis the previous financial year are tabulated below:

(Rs. in Crore)

Parameters	Year ended 31.03.2014	Year ended 31.03.2013
Turnover	2,865	4,196
Funds in Use		
Factoring Business	736	1,030
Other Business	151	139
Total Funds in use	886	1,169
Total Income	142.15	176.60
Profit Before Tax	-49.24	28.23
Profit After Tax	-35.54	19.23

Challenges in growth and asset quality

The Financial year 2013-14 has been tough for the Indian economy and all the economic indicators showed dismal performance. Though there had been rise in the confidence and positive sentiments among the Indian companies in the second half of the financial year, however, despite these positive sentiments, industrial activity continued to be a drag on the economy, with reduction in both consumption and investment demand which reflected in the contraction of output of consumer durables as well as capital goods. Sluggishness in industrial activity, exports and several categories of services has underlined the need to revitalise productivity and competitiveness.

The RBI and the Government have taken notable steps in FY 2013-14 to address the economic slowdown. The Government formed the Project Management Group to facilitate large projects, undertook action on power tariffs, gas price and continued diesel price increases. The RBI initiated efforts at recognising and cleaning up Non-Performing Assets. If implemented correctly and in a time bound manner, these collectively would have the ability to create a positive impact on the economy.

The sluggishness in the economy has adversely affected the Company with NPAs rising to an all time high and the percentage of stressed assets also rising to an all time high. The Company, however, has adopted more stringent approach and is undergoing major changes that will help in NPA recovery and check further slippages in asset quality.

IFCI FACTORS LIMITED

Export Factoring

Your Company offers export factoring (EF) through which it finances export receivables through the 2-Factor mechanism of Factors Chain International (FCI), a global body of Factors. As on March 31, 2014, your Company's Export Factoring portfolio amounted to Rs. 20 Crore while the turnover for FY 2013-14 (total amount of export invoices factored) amounted to Rs. 75 Crore.

Your Company's current export factoring clientele comprise of automotive component manufacturers and garment manufacturers who export to reputed multinational firms such as General Motors (US), Chrysler (US), KTM Motorcycles (Germany / Austria), IT International Transmissions, Switzerland, Tesco (UK), etc. Import Factors for such transactions are banks / factoring companies such as ABN Amro Commercial Finance (ABN Amro Group Germany), Mizuho Factors (Mizuho Financial Group, Japan), CIT Commercial Finance (CIT Group, US), BNP Paribas Commercial Finance (UK).

Owing to the superior structure of the product, the performance of the EF portfolio of your Company has been outstanding. In over a decade of EF operation, your Company has not witnessed any delinquency in any invoice and hence the quality of earning has been superior. Your Company has experienced and FCI-trained professionals and sophisticated systems in place to capitalize on the opportunity to consolidate its export factoring portfolio and grow it in tandem with the big opportunity evolving in the SME sector.

Your Company has been ranked as the 9th most improved export factor, the only Indian entity among the top 10) amongst the 270 odd Factors that are members of the FCI in overall performance and service quality rating, over the last year's rating (*Source: website of Factors Chain International*).

Outlook

Moving forward, in FY 2014-15, in light of overall weak macroeconomic environment, your Company would strive to maintain its asset quality through vigilant monitoring, recover its non-performing assets, check further slippages of accounts into stressed assets/NPAs, and grow its asset base with addition of quality assets.

While there is immense potential for factoring business to grow in India, lack of conducive legal framework and of appreciation for factoring as a method of advancing working capital by stake holders have been the major impediments to its growth in India. With the enactment and implementation of the Factoring Regulation Act, 2011 and re-categorisation of your Company as an "NBFC-Factor" by the Reserve Bank of India (effective December 27, 2013) under the said Act, the initiative for setting up a Credit Guarantee Fund of Rs. 500 Crore for factoring business (as announced in the Union Budget for FY 2013-14), and a recent initiative by the RBI towards

IFCI FACTORS LIMITED

setting up of a Trade Credit Exchange for electronic factoring of bills, factoring business in India is poised for growth.

Further, as NBFC-Factors are not “financial institutions” for the purposes of the SARFAESI Act, they do not have rights of enforcement under SARFAESI without the intervention of courts. However, the provisions of the Code of Civil Procedure, 1908 regarding summary suits are made applicable to the claims of NBFC-Factors to facilitate speedy recovery of receivables. Also, NBFC-Factors are declared to be “Credit Institutions” for the purposes of Credit Information Companies (Regulation) Act, 2005 and can have access to credit information relating to firms availing factoring services.

Under the RBI Framework for “*Revitalising Distressed Assets in the Economy - Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders*”, which is effective from April 01, 2014, the Reserve Bank of India set up a Central Repository of Information on Large Credits (CRILC) to collect, store, and disseminate credit data to lenders. Other than banks, NBFC-Factors will also have to furnish credit information to CRILC on all their borrowers having aggregate fund-based and non-fund based exposure of Rs. 50 million and above with them. This framework applies to the NBFC-SI and NBFC-Factors (categorized as notified NBFCs), apart from the banks.

The said framework has outlined a corrective action plan that will incentivize early identification of problem account, timely restructuring of accounts which are considered to be viable, and taking prompt steps by lenders for recovery or sale of unviable accounts. The framework, inter alia, provides for (i) creation of a sub-asset category viz. ‘Special Mention Accounts’ (SMA) by NBFCs in order to identify incipient stress in the account; (ii) putting in place a proper Management Information and Reporting System so that any account having principal or interest overdue for more than 60 days gets reported as SMA-2 on the 61st day itself to RBI; (iii) close monitoring of the accounts reported as SMA-1 or SMA-0 as these are the early warning signs of weaknesses in the account; (iv) mandatory formation of a Joint Lenders’ Forum (JLF) and Formulation of Corrective Action Plan on categorizing an account under SMA-2; (v) accelerated provisioning of SMAs; (vi) identification on non-co-operative borrowers; (vi) rectification, restructuring and recovery from SMAs, etc.

In the words of Dr. K. C. Chakraborty, Dy. Governor, RBI (at the International Factors Group’s Annual Conference on October 07, 2013 at New Delhi):

“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 regards credit insurance, the Finance Minister, in the Union Budget 2013-14, has made an announcement for setting up a Credit Guarantee Fund with SIDBI

IFCI FACTORS LIMITED

for factoring, with a Rs. 5 billion corpus. As far as extension of the provisions of the SARFAESI Act to NBFC is concerned, the final call rests with the Government of India.”

In his first speech as the RBI Governor (on September 04, 2013), Mr. Raghuram Rajan virtually anointed factoring and asset reconstruction as two pillars of India's financial infrastructure in the future, which no other Governor had done. He outlined a specific plan for the first e-auctioning of MSMEs' bills drawn on large companies through Electronic Bill Factoring Exchanges, and stressed on ensuring efficiency in recovery to preserve the value of underlying assets.

Dividend

As your Company has incurred loss for the financial year 2013-14 and in order to conserve the available resources, the Board of Directors of your Company has not recommended any dividend to the shareholders of the Company for the Financial Year 2013-14.

Transfer to Reserves

Since the Board of Directors of your Company has not recommended any dividend on the Equity Shares of the Company for the Financial Year 2013-14, the provisions of Companies (Transfer of Profits to Reserves) Rules, 1975 are not applicable.

Human Resource Development

At your Company, employees continue to be the key driving force of the organization and remain a strong source of our competitive advantage. Our employees are our most important assets. We believe that the quality and level of service that our employees deliver is among the best in the factoring companies. We strive to create a work environment which encourages innovation and creativity.

During the year under report, your Company had witnessed a higher attrition rate and as on March 31, 2014, your Company had 49 (Forty Nine) employees on its roll vis-à-vis 61 (Sixty One) as on March 31, 2013. In order to augment its headcount, your Company is in the process of recruiting officers across the organizational hierarchy in order to optimize its operations.

Corporate Social Responsibility

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of Companies Act 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect from April 01, 2014.

IFCI FACTORS LIMITED

During the current year, your directors have constituted the Corporate Social Responsibility Committee (CSR Committee) comprising Mr. Ajoy K. Deb as the Chairman and Mr. Sudhir Garg and Mr. Bikash K. Roy as other members. The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013; recommending the amount of expenditure to be incurred on the prescribed activities; and monitoring of the Corporate Social Responsibility Policy of the Company from time to time.

The CSR Policy of your Company for the financial year 2014-15 has been formulated for implementation to comply with the new guidelines and rules.

Directors

Mr. Malay Mukherjee was appointed as an Additional Director and Chairman of the Company by the Board of Directors w.e.f. December 26, 2013. Further, Mr. Sudhir Garg was appointed as an Additional Director w.e.f. January 01, 2014 while Mr. Bikash Kanti Roy was appointed as an Additional Director and designated as the Managing Director of your Company w.e.f. March 24, 2014 for a period of 1 year. Besides, Mr. Rajib Sekhar Sahoo was appointed as an Additional Director by the Board w.e.f. August 13, 2014. All the aforesaid Directors of the Company hold office up to the conclusion of the ensuing Annual General Meeting.

The Company has received notices in writing pursuant to Section 160 of the Companies Act, 2013 from a member along with deposits of Rs. 1,00,000/- each signifying their intention to propose the candidatures of Mr. Malay Mukherjee, Mr. Sudhir Garg, Mr. Rajib Sekhar Sahoo as Directors and Mr. Bikash Kanti Roy as Managing Director of the Company at the ensuing Annual General Meeting of the Company.

In view of the notification of Section 149 and other applicable provisions of the Companies Act, 2013, your Directors are seeking appointment of Mr. Shrawan Nigam, Prof. Vinod Kumar Gupta, Mr. Ajoy K. Deb and Mr. Rajib Sekhar Sahoo as the Independent Directors of your Company for three (3) consecutive years as detailed in the accompanying Notice and Explanatory Statement.

Your Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

Further, during the year under Report, the Board appointed Mr. Santosh B. Nayar as an Additional Director and Chairman of the Board on 29/07/2013 while Mr. Satpal Kumar Arora and Mr. Ajoy K. Deb were appointed as the Additional Directors w.e.f. 08/04/2013 and 20/08/2013, respectively. Besides, Mr. Rajeev Arora was inducted on the Board as Additional

IFCI FACTORS LIMITED

Director on 26/07/2013 and subsequently appointed/designated as the Managing Director of the Company w.e.f. 05/08/2013.

During the year under Report, Mr. Tarun Kumar Ray, Mr. Atul Kumar Rai, Mr. Baleshwar Rai, Mr. Madhu Sudan Sahoo, Mr. Santosh B. Nayar and Mr. Satpal Kumar Arora, resigned from the Directorship/s of the Company w.e.f. 08/04/2013, 31/05/2013, 20/08/2013, 01/10/2013, 11/12/2013 and 26/12/2013, respectively.

Further, during the year under Report, Mr. Rakesh Kapoor, Managing Director, superannuated from services of the Company w.e.f. 24/07/2013 while Mr. Rajeev Arora ceased to be the Managing Director/Director of the Company effective March 18, 2014.

For the year under Report, your Board of Directors does not consist of any Director who is retireable by rotation as well as there are no Nominee Directors from any Bank/Financial Institution, therefore, in the ensuing 19th Annual General Meeting, there is no Director who would retire by rotation.

Directors Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the Directors hereby confirm that:

- i) in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- ii) the Directors have 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 as at March 31, 2014 and of the profit of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Auditors & Auditors' Report

During the year under Report, the Comptroller and Auditor General of India (C&AG) appointed M/s Bansal & Co. (DE0111) (Firm Regn. No. 001113N) as the Statutory Auditors of the Company for the FY 2013-14. However, in the month of January 2014, the C&AG appointed M/s S. N.

IFCI FACTORS LIMITED

Dhawan & Co. (DE0025) (Firm Reg. No. 000050N) as the Statutory Auditors of your Company for FY 2013-14 in place of M/s Bansal & Co.

Further, your Company has received a letter (bearing Ref. No./CA. V/COY/CENTRAL GOVERNMENT,IFCIFL(1)/31 dated 26 July 2014) from the office of the Comptroller and Auditor General of India appointing M/s Chandiwala Virmani and Associates (DE0155), Dr. P.N. Behl House, 2nd Floor, 13, Daryaganj, Delhi-110002, as the Statutory Auditors of your Company for the Financial Year 2014-15.

The observations made in the Auditors' Report for the FY 2013-14 read with the relevant Notes thereon are self-explanatory and hence do not call for any comments.

Comments of the Comptroller & Auditor General of India u/s 619(4) of the Companies Act, 1956 (to be read under the corresponding provisions of Section 143(6) of the Companies Act, 2013

For the FY 2013-14, your Company has received no comments [from the Comptroller & Auditor General of India (C&AG) u/s 619(4) of the Companies Act, 1956] on the annual accounts of the Company for the Financial Year 2013-14 based on the No Review Report from C&AG, and the same is hereby placed separately (forming part of the Annual Report) before the Members pursuant to Section 619(5) of the Companies Act, 1956.

Finance

During the year under review, to meet the working capital requirements, your Company had also raised money through issuance of Commercial Papers, and Redeemable Non-Convertible Taxable Bonds listed at the BSE Limited.

Ratings for Term Borrowings

During the year under Report, your Company's borrowings have been assigned the following ratings by Credit Analysis & Research Ltd. (CARE):

Instrument	Rating	Comments
Long-term bank facilities aggregating to Rs. 254.80 Crore @	CARE A- (SO) [Single A Minus (Structured Obligation)]	Represents instruments having adequate degree of safety regarding timely servicing of financial obligations and are carrying low credit risk.
Short-term bank facilities of Rs. 522.50 Crore @	CARE A1 (SO) [A One (Structured Obligation)]	Represents instruments having very strong degree of safety regarding timely servicing of financial obligations and are

IFCI FACTORS LIMITED

		carrying lowest credit risk.
Long-term bank facilities of Rs. 50.00 Crore	CARE BBB+ [Triple B Plus]	Represents instruments having moderate degree of safety regarding timely servicing of financial obligations and are carrying moderate credit risk.
Short-term bank facilities of Rs. 50.00 Crore	CARE A2+ [A Two Plus]	Represents instruments having strong degree of safety regarding timely servicing of financial obligations and are carrying low credit risk.
Long-term NCD of Rs. 200.00 Crore	CARE BBB+ [Triple B Plus]	Represents instruments having moderate degree of safety regarding timely servicing of financial obligations and are carrying moderate credit risk.
Commercial Paper of Rs. 300.00 Crore @	CARE A1 (SO) [A One (Structured Obligation)]	Represents instruments having very strong degree of safety regarding timely servicing of financial obligations and are carrying lowest credit risk.

@ Backed by Letter of Comfort from IFCI Limited, Holding Company

Particulars of Employees

The Ministry of Corporate Affairs, by notification dated 31 March 2011, issued the Companies (Particulars of Employees) Amendment Rules, 2011, which amended the limits of remuneration of the employees mentioned under Companies (Particulars of Employees) Rule, 1975. Accordingly, as per the Companies (Particulars of Employees) Rule, 1975 read with the Companies (Particulars of Employees) Amendment Rules, 2011 and the provisions of Section 217(2A) of the Companies Act, 1956, details of the names and other particulars of employees drawing remuneration aggregating to more than Rs. 60,00,000 (Rupees Sixty Lacs) per annum, and Rs. 5,00,000 (Rupees Five Lacs) per month, are required to be attached to this Report. However, the required disclosure as aforesaid is not applicable to your Company for the financial year 2013-14 as during the year under Report, no employee of your Company has come under the stipulated threshold of remuneration.

Initial Public Offering

During the FY 2011-12, your Company, on July 27, 2011, filed its Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) in relation to its proposed Initial Public Offer (IPO) of 3,90,86,628 equity shares of face value of Rs. 10/- each, at such price as may be determined in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and other applicable laws.

IFCI FACTORS LIMITED

To that, your Company received SEBI approval containing the final set of observations thereon on August 01, 2012 and accordingly, your Company submitted the updated DRHP with SEBI on October 09, 2012. Meanwhile, owing to change in the ownership structure of your Company's promoter/holding company namely IFCI Ltd. resulting into IFCI Ltd. becoming a Government Company in December, 2012 under the provisions of Section 619B of the Companies Act, 1956, your Company has also become a Government Company within the meaning of Section 617 read with Section 619B of the Companies Act, 1956. Further, given the overall economic conditions during the year under report and other factors, your Company could not launch its IPO within the validity period of the aforesaid SEBI approval which expired on July 31, 2013. Accordingly, during the year under Report, your Directors resolved that the plan/possibility of renewal/revalidation of the expired SEBI approval should not be explored.

Employee Stock Option Plan

To share the value created by the employees and to promote the culture of employee ownership in your Company, your Company introduced the "*IFCI Factors Employee Stock Option Scheme 2011*" ('the Scheme' or "ESOP 2011") for granting, offering and issuing upto 8% of paid-up share capital of the Company at any point in time, in one or more tranches/series. Under that, stock options were granted to the eligible employees of the Company and vesting also happened thereunder. However, on account of the redundance/unattractiveness of the granted/vested stock options having no exit in light of the non-launching of IPO of the Company, the ESOP 2011 stood scrapped pursuant to the consent of the optionholders and subsequent approval of the Board and shareholders in the 18th Annual General Meeting of the Company.

Committee on Sexual Harassment

Your company is fully committed to take appropriate measures against Sexual Harassment of Women at Workplace as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 which came into force in April, 2013. Requisite organizational architecture in terms of constitution of Committee, etc. to comply with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 has been created. During the year under Report, no instance/complaint of sexual harassment was reported.

Fixed Deposits

During the year under Report, your Company has not accepted any deposits under Section 58A of the Companies Act, 1956, and as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

IFCI FACTORS LIMITED

Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

Since your Company's operations do not involve any manufacturing or processing activities, the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy and technology absorption, are not applicable. However, particulars regarding earning & expenditure in foreign exchange have been disclosed under Note No. 39 to the Financial Statement for the year ended March 31, 2014 which forms an integral part of annexed audited statement of accounts.

Acknowledgements

Your Directors would like to place on record their gratitude for the co-operation and guidance received from the Reserve Bank of India, BSE Limited, and other government and regulatory authorities/agencies.

Your Directors are grateful to the Company's clients, Bankers and other business associates for their continued support.

Your Directors acknowledge the guidance and contribution of the parent Company IFCI Ltd. in continued and sustained growth of your Company.

Your Directors would also like to take this opportunity to express their appreciation to the dedicated team of employees for their contribution to the Company and rendering high quality services to the clients. We would also like to thank all our shareholders for their support in our endeavours.

For and on behalf of Board of Directors

Sd/-

Sd/-

New Delhi
August 13, 2014

(Sudhir Garg)
Director

(Bikash K. Roy)
Managing Director

IFCI FACTORS LIMITED

INDEPENDENT AUDITOR'S 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 March 31, 2014, and the Statement of Profit and Loss and 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

Management is responsible for 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 Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required

IFCI FACTORS LIMITED

and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.
 - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

For S. N. Dhawan & Co.
Chartered Accountants
Firm Reg. No. 000050N

Sd/-
(Suresh Seth)
Partner
Membership No. 010577

Place: New Delhi
Date: April 15, 2014

IFCI FACTORS LIMITED

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, 2014

- 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 not been physically verified by the management during the year but there is a regular programme of verification 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) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) (a), (b) & (c) of the Order, are not applicable.
- iii) As informed to us, the Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (a) to (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets and for the sale of services. During the course of our audit, we have neither come across nor have we been informed of any major weaknesses in the internal control systems.
- v) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered in the register required to be maintained under section 301 of the Companies Act, 1956.
- vi) The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Therefore the provisions of clause 4(vi) of the Order are not applicable.
- vii) In our opinion the Company has an internal audit system commensurate with its size and nature of its business.

IFCI FACTORS LIMITED

- viii) As the Company is not engaged in any manufacturing operation, the provisions of clause 4(viii) of the Order are not applicable.
- ix) 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, Wealth Tax, Service Tax and any other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax and any other statutory dues were in arrears as at 31st March 2014 for a period of more than six months from the date the date they became payable.
- c) According to the information and explanations given to us, there are no dues of income tax, wealth tax and service tax which have not been deposited on account of any dispute except the following:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	13,94,262	A/Y 2002-03	CIT (Appeal)
Income Tax Act, 1961	Income Tax	3,73,044	A/Y 2002-03	ITAT
Income Tax Act, 1961	Income Tax	8,42,182	A/Y 2004-05	CIT (Appeal)

- x) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi) 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, bank or debenture holders.
- xii) According to the information and explanations given to us, the Company has maintained adequate documents and records where the Company has granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

IFCI FACTORS LIMITED

- xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi) To the best our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which the loans were taken.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xviii) According to the information and explanations given to us the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, during the year covered by our audit, the Company has issued 625 Secured Redeemable Non Convertible Bonds of Rs. 1,000,000 each. The Company has created security in respect of the bonds. Further the Company has issued 1000 Unsecured Redeemable Non Convertible Bonds of Rs. 1,000,000 each. The bonds are unsecured on which no security or charge is required to be created.
- xx) The Company has not raised any money by public issue during the year under the review.
- xxi) To the best of our knowledge and belief and according to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. N. Dhawan & Co.
Chartered Accountants
Firm Reg. No. 000050N

Sd/-
(Suresh Seth)
Partner
Membership No. 010577

Place: New Delhi
Date: April 15, 2014

IFCI FACTORS LIMITED

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF IFCI FACTORS LIMITED FOR THE YEAR ENDED 31 MARCH 2014

The preparation of financial statements of IFCI Factors Limited for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15 April 2014.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of IFCI Factors Limited for the year ended 31 March 2014 and as such have no comments to make under section 619(4) of the Companies Act, 1956.

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

**Sd/-
(Naina A. Kumar)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II,
New Delhi**

Place: New Delhi
Date: 28.05.2014

BALANCE SHEET AS AT MARCH 31, 2014

PARTICULARS	Note No.	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	793,577,000	793,577,000
Reserves and Surplus	3	444,170,170	808,354,420
		<u>1,237,747,170</u>	<u>1,601,931,420</u>
Non-Current Liabilities			
Long-Term Borrowings	4	4,356,000,000	1,625,000,000
Long-Term Provisions	5	57,139,797	8,392,832
		<u>4,413,139,797</u>	<u>1,633,392,832</u>
Current Liabilities			
Short-Term Borrowings	6	2,483,458,452	6,272,170,633
Trade Payables	7	25,709,720	10,213,836
Other Current Liabilities	8	1,695,939,584	4,481,202,021
Short-Term Provisions	9	30,785,093	81,989,884
		<u>4,235,892,849</u>	<u>10,845,576,374</u>
TOTAL		<u>9,886,779,816</u>	<u>14,080,900,626</u>
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	10	4,913,697	5,585,009
Intangible Assets		2,222,577	2,953,902
		<u>7,136,274</u>	<u>8,538,911</u>
Non-Current Investment	11	25,228,963	-
Deferred Tax Assets (net)	29	254,649,098	64,200,855
Long-Term Loans and Advances	12	486,682,980	686,350,776
Other Non-Current Assets	13	25,833,572	8,000
		<u>799,530,887</u>	<u>759,098,542</u>
Current Assets			
Current Investments	14	19,200,000	-
Trade Receivables	15	8,153,359,478	12,594,186,588
Cash and Cash Equivalents	16	118,026,867	14,880,042
Short-Term Loans and Advances	17	-	70,938,630
Other Current Assets	18	796,662,584	641,796,824
		<u>9,087,248,929</u>	<u>13,321,802,084</u>
TOTAL		<u>9,886,779,816</u>	<u>14,080,900,626</u>
Summary of Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements.

As per our audit report of even date attached

For S. N. Dhawan & Co.

Chartered Accountants

Firm Registration No. 000050N

- Sd-

(Suresh Seth)

Partner

Membership No. 010577

Date: April 15, 2014

Place: New Delhi

For and on behalf of Board of Directors

-Sd-

(Malay Mukherjee)
Chairman

-Sd-

(Bikash Kanti Roy)
Managing Director

-Sd-

(Rajiv L. Jha)
Company Secretary

-Sd-

(Lalit Bansal)
CFO

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

PARTICULARS	Note No.	Year Ended	Year Ended
		March 31, 2014	March 31, 2013
		Rs.	Rs.
INCOME			
Revenue from Operations	19	1,337,330,633	1,764,849,670
Other Income	20	84,195,343	1,144,285
Total (A)		1,421,525,976	1,765,993,955
EXPENSES			
Employee Benefits Expense	21	63,307,939	63,207,720
Operating, Administrative and Other Expenses	22	71,107,991	58,572,235
Finance Costs	23	915,745,406	1,089,578,739
Depreciation and Amortization Expense	10	2,694,290	2,489,914
Total (B)		1,052,855,626	1,213,848,608
Profit Before Provisions & Write Offs (A-B)		368,670,350	552,145,347
Provisions & Write Offs	24	860,974,391	269,888,797
Profit / (Loss) Before Tax		(492,304,041)	282,256,550
Tax Expenses:			
Current Tax (Net of Rs. 1,679,797 (Previous Year - Rs. 388,072) relating to earlier years)		53,537,192	113,164,261
Deferred Tax (Net)	29	(190,448,243)	(23,188,328)
Profit / (Loss) After Tax		(355,392,990)	192,280,617
Earnings Per Share (Face Value - Rs. 10 per share)	36		
Basic		(4.48)	2.42
Diluted		(4.48)	2.42

Summary of Significant Accounting Policies 1

The accompanying notes are an integral part of the financial statements.

As per our audit report of even date attached

For S. N. Dhawan & Co.

Chartered Accountants

Firm Registration No. 000050N

-Sd-

(Suresh Seth)

Partner

Membership No. 010577

Date: April 15, 2014

Place: New Delhi

For and on behalf of Board of Directors

-Sd-

(Malay Mukherjee)

Chairman

-Sd-

(Bikash Kanti Roy)

Managing Director

-Sd-

(Rajiv L. Jha)

Company Secretary

-Sd-

(Lalit Bansal)

CFO

IFCI FACTORS LIMITED

CASH FLOW STATEMENT FOR YEAR ENDED MARCH 31, 2014

	Year Ended March 31, 2014 Rs.	Year Ended March 31, 2013 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	(492,304,041)	282,256,550
Adjustments for:		
Depreciation/Amortisation	2,694,290	2,489,914
(Profit)/Loss on Sale/ Discard of Fixed Assets	(16,707)	(87,500)
Bond Issue Expenses charged to Securities Premium Account	(8,791,260)	(2,566,620)
Expenses Related to Issuance of Share Capital	12,387,689	-
Bad Debts Written Off	219,887,126	209,120,201
Reversal of Provision for Doubtful Debts	(56,100,000)	(62,611,184)
Provision for Standard Assets	2,414,870	20,193,036
Allowance for Bad and Doubtful Debts and Loans	694,772,395	103,186,744
Provision for Gratuity	1,016,596	734,721
Provision for Leave Encashment	(411,016)	1,554,942
Provision for Diminution in value of Non-Current Investments	126,283	-
Income From Mutual Fund	(3,046,931)	(1,039,833)
Operating Profit Before Working Capital Changes	372,629,294	553,230,971
Movement in Working Capital		
Increase/(Decrease) in Borrowings	(2,904,905,363)	(912,351,947)
Increase/ (Decrease) in Trade Payables & other Current Liabilities	(922,551,621)	(641,615,965)
(Increase)/Decrease in Trade Receivables	3,799,514,191	514,890,244
(Increase)/Decrease in Loans & Advances, Other Current & Non-Current Assets	(139,867,654)	379,375,618
Net Cash Used in Operations	204,818,847	(106,471,079)
Direct Tax Paid	(59,015,468)	(109,879,793)
Net Cash Flow From Operating Activities	145,803,379	(216,350,872)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,172,203)	(2,814,627)
Sale of Fixed Assets	23,964	87,500
Investment in Current and Non Current Investments	(44,555,246)	-
Income From Mutual Fund	3,046,931	1,039,833
Net Cash Flow From Investing Activities	(42,656,554)	(1,687,294)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Perpetual Non-convertible Debenture Issued	-	250,000,000
Expenses Related to Issuance of Share Capital	-	(5,289,927)
Dividend Paid	-	(55,516,790)
Tax on Distributed Profits	-	(9,011,662)
Net Cash Flow From Financing Activities	-	180,181,621
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	103,146,825	(37,856,545)
Opening Cash and Cash Equivalents	14,880,042	52,736,587
Closing Cash and Cash Equivalents	118,026,867	14,880,042

Note:

	March 31, 2014	March 31, 2013
1 Components of Cash and Cash Equivalents:		
Cash on Hand	7,447	14,347
Balances with Banks	118,019,420	14,865,695
	118,026,867	14,880,042
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 S. N. Dhawan & Co.

Chartered Accountants

Firm Registration No. 000050N

- Sd-

(Suresh Seth)

Partner

Membership No. 010577

Date: April 15, 2014

Place: New Delhi

For and on behalf of Board of Directors

-Sd-
(Malay Mukherjee)
Chairman

-Sd-
(Bikash Kanti Roy)
Managing Director

-Sd-
(Rajiv L. Jha)
Company Secretary

-Sd-
(Lalit Bansal)
CFO

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, the provisions of Companies Act, 1956 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 the 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.

IFCI FACTORS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014****e) Fixed Assets, Depreciation & Amortization****(i) Tangible**

Fixed Assets are stated at cost, less accumulated depreciation and impairment. Depreciation has been provided on the basis of straight line method as per Schedule XIV to the Companies Act, 1956. Assets having individual value of Rs. 5,000 or less are fully depreciated in the year of acquisition.

(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 over a period of five years on straight line.

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.

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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 income 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.

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.

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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 in accordance with Section 78 of the Companies Act, 1956.

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
2. SHARE CAPITAL		
Authorised:		
150,000,000 Equity Shares of Rs.10 each (Previous Year 150,000,000 Equity Shares of Rs. 10 each)	1,500,000,000	1,500,000,000
Issued, Subscribed and Paid up:		
79,357,700 Equity Shares (Previous Year 79,357,700) of Rs.10 each fully paid up	793,577,000	793,577,000
TOTAL	793,577,000	793,577,000
a. Out of above 79,154,700 Equity Shares (Previous Year 79,154,700 Equity Shares) are held by IFCI Limited, Holding Company including 8 Equity Shares (Previous Year 8 Equity Shares) held by nominees of IFCI Limited.		
b. The Company had filed its Draft Red Herring Prospectus (DRHP) dated July 27, 2011 with the Securities and Exchange Board of India (SEBI), in relation to its proposed initial public offer of 39,086,628 equity shares of face value of Rs 10 each, at such price as may be determined in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and other applicable laws. SEBI had issued its observations on the DRHP vide letter dated August 1, 2012 and the proposed issue could be open for subscription within a period of 12 months from the date of issuance of that letter. Consequent to the lapsing of the validity period of SEBI approval for launching Initial Public Offer (IPO) on July 31, 2013, and the overall economic condition prevailing in the country, the Board resolved that, the plan/possibility of obtaining renewal/revalidation of the expired SEBI Card should not be explored. Consequently, the "Unamortised Proposed Share Issue Expenses" have been charged to Statement of Profit and Loss in the current year.		
c. The Company has only one class of Equity shares having par value of Rs. 10 per share. Each holder of Equity Shares is entitled to one vote per share.		
3. RESERVES AND SURPLUS		
Securities Premium Account		
Opening Balance	118,523,088	121,089,708
Less: Bonds Issue Expenses (net of taxes)	8,791,260	2,566,620
Closing Balance	109,731,828	118,523,088
Statutory Reserve Fund (under section 45 IC of Reserve Bank of India Act)		
Opening Balance	175,573,439	137,117,316
Add: Transfer from Surplus Balance in Statement of Profit and Loss	-	38,456,123
Closing Balance	175,573,439	175,573,439
General Reserve	3,165,000	3,165,000
Surplus Balance in Statement of Profit and Loss		
Opening Balance	511,092,893	357,268,399
Add: Profit / (Loss) for the year	(355,392,990)	192,280,617
Less: Appropriations		
Transfer to Statutory Reserve Fund	-	38,456,123
Closing Balance	155,699,903	511,092,893
TOTAL	444,170,170	808,354,420

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
4. LONG-TERM BORROWINGS		
Debentures / Bonds		
Secured #		
Redeemable, Non-Convertible Bonds	1,000,000,000	375,000,000
Unsecured		
Redeemable, Non-Convertible Bonds	1,000,000,000	-
Perpetual, Non-Convertible Debenture - IFCI Ltd - Related Party (Tier-I Capital)	250,000,000	250,000,000
Term Loans		
Secured *		
- From Banks	356,000,000	-
- From Others - IFCI Ltd - Related Party	1,000,000,000	250,000,000
Unsecured		
- Subordinate Debts - IFCI Ltd - Related Party (Tier-II Capital)	750,000,000	750,000,000
TOTAL	4,356,000,000	1,625,000,000
# 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.		
Note: Detail of repayment schedule & interest is given in Note no. 31		
5. LONG TERM PROVISIONS		
Leave Encashment	3,169,496	3,353,121
Gratuity	2,616,395	1,610,711
Contingent Provisions against Standard Assets	37,375,907	3,429,000
Sundry Liabilities Account (Interest Capitalisation)	13,977,999	-
TOTAL	57,139,797	8,392,832
6. SHORT TERM BORROWINGS		
Secured*		
Working Capital Demand Loan- From Banks	1,850,000,000	2,489,999,963
Short Term Loans		
- From Banks	-	1,350,000,000
- From Others	100,000,000	650,000,000
(Includes Rs. Nil (Previous Year Rs. 250,000,000) from IFCI Ltd-Related Party)		
Cash Credit - From Banks	306,189,669	1,182,170,670
Unsecured		
Commercial Paper	-	600,000,000
(Maximum amount raised at anytime during the year Rs. 2,750,000,000 (Previous Year Rs. 2,200,000,000))		
Bank Overdraft	227,268,783	-
TOTAL	2,483,458,452	6,272,170,633
* Credit facilities are secured by pari passu charge on factored receivables by way of hypothecation.		
7. TRADE PAYABLE		
Sundry Creditors	25,709,720	10,213,836
TOTAL	25,709,720	10,213,836
8. OTHER CURRENT LIABILITIES		
Contractual Liability against Collection of Trade Receivables	1,315,069,598	2,390,036,958
Current Maturities of Long Term Debts (secured)		
- From Banks	144,000,000	491,193,182
- From Others - IFCI Ltd - Related Party	-	1,500,000,000
Interest Accrued on Borrowings:		
- Due	-	2,294,603
- Not due	228,176,266	88,315,600
Income Received in Advance	7,077,544	7,306,718
Unpaid Dividends	104,720	126,470
Other Liabilities	1,511,456	1,928,490
TOTAL	1,695,939,584	4,481,202,021
9. SHORT TERM PROVISIONS		
Taxation (Net of Advance Tax)	-	5,478,276
Leave Encashment	234,321	461,712
Gratuity	36,772	25,860
Contingent Provisions against Standard Assets	30,514,000	76,024,036
TOTAL	30,785,093	81,989,884

IFCI FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014



10. FIXED ASSETS

Description of Assets	Gross Block				Depreciation/ Amortisation				Net Block	
	As at April 1, 2013 Rs.	Additions Rs.	Deductions Rs.	As at March 31, 2014 Rs.	As at April 1, 2013 Rs.	For the Year Rs.	Deductions/ Adjustments Rs.	As at March 31, 2014 Rs.	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
Tangible:										
Furniture & Fixtures	488,819	73,894	-	562,713	49,357	34,950	-	84,307	478,406	439,462
Office Equipment	215,130	-	-	215,130	19,166	10,219	-	29,385	185,745	195,964
Computer Hardware	9,469,890	745,371	159,184	10,056,077	4,520,307	1,438,151	151,927	5,806,531	4,249,546	4,949,583
Subtotal	10,173,839	819,265	159,184	10,833,920	4,588,830	1,483,320	151,927	5,920,223	4,913,697	5,585,009
Intangible:										
Computer Software	6,185,334	479,645	-	6,664,979	3,231,432	1,210,970	-	4,442,402	2,222,577	2,953,902
Subtotal	6,185,334	479,645	-	6,664,979	3,231,432	1,210,970	-	4,442,402	2,222,577	2,953,902
Grand Total	16,359,173	1,298,910	159,184	17,498,899	7,820,262	2,694,290	151,927	10,362,625	7,136,274	8,538,911
Previous Year	14,685,007	2,518,092	843,926	16,359,173	6,174,274	2,489,914	843,926	7,820,262	8,538,911	

	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
11. NON-CURRENT INVESTMENT		
Non-Trade, Quoted		
- Net 4 India Limited 3,232,874 Equity Shares (Previous Year - Nil) of Rs. 10 each fully paid up	20,743,679	-
- KEW Industries Limited 2,931,558 Equity Shares (Previous Year - Nil) of Rs. 10 each fully paid up	4,611,567	-
	25,355,246	-
Less : Provision for Diminution in value	126,283	-
TOTAL	25,228,963	-
Note:		
Book Value	25,355,246	-
Market Value	26,307,184	-
12. LONG TERM LOANS AND ADVANCES		
Term Loans (Considered Good)		
- Secured *	339,619,395	659,135,303
- Unsecured	146,824,819	26,850,000
Capital Advances (Unsecured)	238,766	365,473
TOTAL	486,682,980	686,350,776
*Term Loans are secured against mortgage of property & lien on shares.		
13. OTHER NON-CURRENT ASSETS		
(Unsecured, Considered Good)		
Security Deposits	8,000	8,000
Advance Income Tax (Net of Provisions)	25,825,572	-
TOTAL	25,833,572	8,000
14. CURRENT INVESTMENTS		
(Non-Trade, at cost or market price, whichever is less)		
Debenture Application Money- in Arch Pharmalabs Limited (Refer Note no. 28)	19,200,000	-
TOTAL	19,200,000	-
15. TRADE RECEIVABLES		
Factored Debts:		
Outstanding for over six months	2,129,626,106	419,053,577
Other Debts	6,543,059,165	12,273,033,011
Total	8,672,685,271	12,692,086,588
Less : Provision for Bad and Doubtful Debts	519,325,793	97,900,000
TOTAL	8,153,359,478	12,594,186,588
Out of above		
Considered Good		
- Secured *	808,737,802	1,505,381,316
- Unsecured	5,734,321,363	10,767,651,695
Considered Doubtful	2,129,626,106	419,053,577
TOTAL	8,672,685,271	12,692,086,588
*Trade Receivables are secured against mortgage of property and lien on shares.		

IFCI FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014



	As at March 31, 2014 Rs.	As at March 31, 2013 Rs.
16. CASH AND CASH EQUIVALENTS		
Balances with Banks (Includes Rs. 104,720 (Previous Year Rs. 126,470) earmarked balances for Unpaid Dividend)	118,019,420	14,865,695
Cash on Hand	7,447	14,347
TOTAL	118,026,867	14,880,042
17. SHORT TERM LOANS AND ADVANCES		
Term loan (Secured, Considered Good)*	-	70,938,630
TOTAL	-	70,938,630
*Term Loans are secured against lien on shares.		
18. OTHER CURRENT ASSETS		
(Unsecured, Considered Good unless otherwise stated)		
Current Maturities of Long Term Loans		
Considered Good		
- Secured *	771,934,202	556,343,930
Considered Doubtful	247,739,699	75,044,683
Total	1,019,673,901	631,388,613
Less : Provision for Bad and Doubtful Loans	228,546,602	11,300,000
	791,127,299	620,088,613
Interest Accrued But not Due	2,112,000	85,190
Advances Recoverable in Cash or in Kind or for Value to be Received	3,423,285	9,235,332
Unamortised Proposed Share Issue Expenses	-	12,387,689
TOTAL	796,662,584	641,796,824
*Term Loans are secured against mortgage of property & lien on shares.		

	Year Ended March 31, 2014 Rs.	Year Ended March 31, 2013 Rs.
19. REVENUE FROM OPERATIONS		
Discount and Service Charges	1,105,288,807	1,480,604,067
Interest Income on Term Loan	208,876,398	220,284,863
Application and Administration Charges	23,165,428	63,960,740
TOTAL	1,337,330,633	1,764,849,670
20. OTHER INCOME		
Factoring Bad Debts Recovered	79,000,000	-
Income from Mutual Funds	3,046,931	1,039,833
Interest Income on Debentures	2,112,000	-
Exchange Fluctuation (Net)	10,096	15,656
Profit on sale of Fixed Assets	16,707	87,500
Miscellaneous Income	9,609	1,296
TOTAL	84,195,343	1,144,285
21. EMPLOYEE BENEFITS EXPENSE		
Salaries and Other Benefits	58,748,807	59,439,782
Contribution to Provident fund	3,343,967	2,674,190
Staff Welfare Expenses	1,215,165	1,093,748
TOTAL	63,307,939	63,207,720
22. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates and Taxes	35,321,650	33,818,227
Printing and Stationery	902,658	856,222
Postage, Telephone and Fax	2,502,385	2,424,871
Travelling & Conveyance	2,596,271	3,369,853
Conferences & Seminar	26,323	457,222
Legal and Professional	6,145,307	4,637,563
Business Promotion	201,686	490,019
Repairs and Maintenance		
-Buildings	945,420	3,246,843
-Others	2,925,993	2,499,108
Import Factor Commission	4,486,677	3,989,841
Provision for Diminution in value of Non-Current Investments	126,283	-
Share Issue Expenses	12,387,689	-
Miscellaneous Expenses	2,539,649	2,782,466
TOTAL	71,107,991	58,572,235
23. FINANCE COSTS		
Interest Expense	907,352,891	1,077,164,686
Other Borrowing Costs	6,595,628	11,058,282
Bank Charges	1,796,887	1,355,771
TOTAL	915,745,406	1,089,578,739
24. PROVISIONS & WRITE OFFS		
Bad Debts Written Off	219,887,126	209,120,201
Provision for Bad and Doubtful Debts Written Back	(56,100,000)	(62,611,184)
Provisions:		
-Standard Assets	2,414,870	20,193,036
-Bad and Doubtful Debts and Loans	694,772,395	103,186,744
	860,974,391	269,888,797

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

25. Contingent Liabilities & Commitments

25.1 Contingent Liabilities

There is a contingent liability in respect of income tax demands against the Company relating to assessment years 2002-03 & 2004-05 aggregating to Rs. 2,740,352 (Previous Year Rs. 2,740,352) which is being contested by the Company at CIT (A) / ITAT forum and final decision is pending.

25.2 Commitments

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs 238,764 (Previous year Rs. 604,238).
 - b) Undrawn commitments (in line with RBI circular dated December 26, 2011) Rs. 6,090,023 (Previous Year Rs. 12,601,900).
- 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 January 31, 2014 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 Pharmalabs 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 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.

29. Deferred Tax Assets (net)

The Deferred Tax Assets (net) as on 31.03.2014 comprise of the following:

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(Amount in Rs)

Particular	As at 31.03.2014	As at 31.03.2013
Leave Encashment	1,156,957	1,296,662
Gratuity	901,811	556,270
Provisions for Bad & Doubtful Debts and Loans	254,201,827	37,117,080
Provisions for Standard Assets	-	27,006,087
Depreciation	(1,611,497)	(1,775,244)
Deferred Tax Assets (Net)	254,649,098	64,200,855
Amount credited to Statement of Profit & Loss	190,448,243	23,188,328

30. Auditors Remuneration:

(Amount in Rs)

Particular	Year Ended 31.03.2014	Year Ended 31.03.2013
Audit Fee	475,000	425,000
Tax Audit Fee	25,000	25,000
Other Services	167,500	75,000
Out of Pocket Expenses	10,000	10,000
Service Tax	83,739	65,920
Total	761,239	600,920

31. 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 31.03.2014	As at 31.03.2013
1000	10.24%	May 17, 2023	No	1,000,000,000	-
411	10.20%	April 23, 2023	Yes (April 23, 2020)	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	-
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

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(Amount in Rs)

From	Remaining Tenor	Repayment Term	Rate of Interest	As at 31.03.2014	As at 31.03.2013
Banks	2 Year – 4 Year	Monthly Repayment	11.88%	356,000,000	-
Others	1 Year – 2 Years	Bullet Repayment	11.25%	1,000,000,000	250,000,000
Others	3 Years - 5 Years	Bullet Repayment	11.00%-12.50%	750,000,000	500,000,000
Others	> 5 Years	Bullet Repayment	12.50%	-	250,000,000

32. Foreign Exchange exposures that are not hedged by derivative instruments or otherwise are as follows:

Particulars	As at 31.03.2014	As at 31.03.2013
<u>Cash & Bank Balances</u>		
Euro	50.43	138.43
USD	500.00	-
GBP	-	179.92
<u>Sundry Creditor</u>		
Euro	856.52	2,889.17
USD	20,442.12	8,466.52
GBP	198.16	-

33. 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.

34. Related Party Disclosure:

A) Names of the Related Parties:

- i) Holding Company
IFCI Limited

ii) Subsidiaries & Associate and Joint Venture of the Holding Company

Related Party	Relationship
IFCI Venture Capital Funds Limited	Fellow Subsidiaries
IFCI Infrastructure Development Limited	Fellow Subsidiaries
IFCI Financial Service 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 (formerly known as Narayan Sriram Investments Private Limited)	Step down Fellow Subsidiaries

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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
IFCI Sycamore Capital Advisors Private Limited	Joint Venture

iii) Key Management Personnel

Mr. Rakesh Kapoor (Managing Director) (up to July 23, 2013)

Mr. Rajeev Arora (Managing Director) (from August 05, 2013 to March 18, 2014)

Mr. Bikash Kanti Roy (Managing Director) (from March 24, 2014 onwards)

B) Transactions with Related Parties and Balances thereof:

Nature of Transaction	Amount in Rs)	
	Year Ended 31.03.2014	Year Ended 31.03.2013
Rent		
To Holding Company	35,321,650	33,818,227
Loan		
From Holding Company		
Opening Balance	3,000,000,000	3,650,000,000
Add: Fresh Taken	-	1,000,000,000
Less: Repayments	1,000,000,000	1,650,000,000
Closing Balance	2,000,000,000	3,000,000,000
From IFCI Venture Capital Funds Limited		
Opening Balance	-	-
Add: Fresh Taken	-	520,000,000
Less: Repayments	-	520,000,000
Closing Balance	-	-
From IFCI Infrastructure Development Limited		
Opening Balance	-	-
Add: Fresh Taken	50,000,000	-
Less: Repayments	50,000,000	-
Closing Balance	-	-
To IFCI Venture Capital Funds Limited		
Opening Balance	-	-
Add: Fresh Given	200,000,000	628,000,000
Less: Repayments	200,000,000	628,000,000
Closing Balance	-	-

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

To Narayan Shriram Investments Private Limited		
Opening Balance	-	-
Add: Fresh Given	100,000,000	-
Less: Repayments	100,000,000	-
Closing Balance	-	-
To IFCI Infrastructure Development Limited		
Opening Balance	-	-
Add: Fresh Given	-	40,000,000
Less: Repayments	-	40,000,000
Closing Balance	-	-
Interest		
To Holding Company		
Opening Balance	82,945,203	74,619,314
Add: Interest for the Year	240,248,287	333,774,311
Less: Repayments	256,296,229	325,448,422
Closing Balance	66,897,261	82,945,203
From IFCI Venture Capital Funds Limited	4,291,233	3,488,754
To IFCI Venture Capital Funds Limited	-	2,501,369
From Narayan Shriram Investments Private Limited	2,663,014	-
To IFCI Infrastructure Development Limited	431,507	1,089,314
Dividend Paid		
To Holding Company	-	55,408,290
Factored Receivables		
From IIDL Realtors P Limited		
Opening Balance	17,759,495	98,849,243
Less: Repayments	17,759,495	81,089,748
Closing Balance	-	17,759,495
Income from Discount & Service Charges		
From IIDL Realtors P Limited		
Opening balance (Accrued income)	85,190	648,663
Add : Income accrued during the year	199,910	8,722,230
Less : Income Received	285,100	9,285,703
Closing balance (Accrued income)	-	85,190

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Assignment of Debts		
To Holding Company		
Receivables Assigned	-	133,387,000
Less: Receipts	-	133,387,000
Closing Balance	-	-
Reimbursement of Expenses		
To Holding Company		
- Managerial Remuneration	2,142,593	-
- Others	2,020,410	6,727,300
To IFCI Financial Services Limited	196,465	172,025
To HARDICON Limited	28,090	1000
Managing Directors' Remuneration	1,256,905	7,122,502
Balance Recoverable / (Payable) toward charges/reimbursements		
To Holding Company	(590,538)	(182,149)
To HARDICON Limited	(28,090)	-
From IFCI Financial Services Limited	143,795	(116)

35. 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.

36. Earnings Per Share (EPS)

Particulars	Year Ended 31.03.2014	Year Ended 31.03.2013
Net Profit/(Loss) as per Statement of Profit and Loss (Rs.)	(355,392,990)	192,280,617
Net Profit/(Loss) for Equity Shareholders for Basic EPS (Rs.)	(355,392,990)	192,280,617
Net Profit/(Loss) for Equity Shareholders for Diluted EPS (Rs.)	(355,392,990)	192,280,617
Weighted Average no. of Equity Shares for Basic EPS	79,357,700	79,357,700
Add: Equity shares for no consideration arising on grant of stock options under ESOP	-	248,244
Weighted Average no. of Equity Shares for Diluted EPS	79,357,700	79,605,944
Basic Earnings per Share (Face Value - Rs. 10 per share) (Rs.)	(4.48)	2.42
Diluted Earnings per Share (Face Value - Rs. 10 per share) (Rs.)	(4.48)	2.42

37. During the year, the Company has been classified as "NBFC-Factor" with Reserve Bank of India, with effective from December 27, 2013. As per the Non-Banking Financial Company-Factors (Reserve Bank)

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Directions, 2012 read with the Factoring Regulation Act 2011, the Company is required to ensure that its financial assets in the factoring business constitute at least 75 % of its total assets and its income derived from factoring business shall not be less than 75% of its gross income. As on March 31, 2014 the factoring assets of the Company stood at 72.10% of its total assets net of "Contractual Liabilities against Collection of Trade Receivables" appearing under Note no. 8 and income derived from factoring business during the year 2013-14 excluding the "Factoring Bad Debts Recovered" appearing under Note no. 20 was 71.19% of the gross income.

38. Employee Stock Option Plan (ESOP)

A. Employee Stock Option Plan 2011:

Particular	Series I	Series II
Date of Grant	14-Jul-11	14-Jul-11
Date of Remuneration Committee Approval	12-Jul-11	12-Jul-11
Date of Shareholder's approval	12-Jul-11	12-Jul-11
Number of options granted	3,187,710	1,162,008
Method of Settlement (Cash/Equity)	Equity	Equity
<u>Graded Vesting Period</u>		
After 1 Yr of grant date	10% of options granted	50% of options granted
After 2 Yr of grant date	20% of options granted	50% of options granted
After 3 Yr of grant date	30% of options granted	N.A.
After 4 Yr of grant date	40% of options granted	N.A.
Exercise Period	Two years from vesting date	Two years from vesting date
Vesting Conditions	Continued Employment and fulfillment of specified performance parameter.	Continued Employment with our promoter.

B. The details of options granted have been summarized below:

Series-I

	Year Ended 31.03.2014		Year Ended 31.03.2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	2,200,760	16.35	2,485,457	16.35
Add: Granted during the year	-	-	-	-
Less: Forfeited during the year	-	-	284,697	16.35
Less: Exercised during the year	-	-	-	-
Less: Expired during the year	2,200,760	16.35	-	-
Outstanding at the end of the year	-	-	2,200,760	16.35

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Exercisable at the end of the year	-	-	223,494	16.35
Weighted average remaining contractual life (in years)	N.A.		3.28	
Weighted average fair value of options granted (Rs.)	N.A.		3.68	

Series-II

	Year Ended 31.03.2014		Year Ended 31.03.2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	771,506	16.35	1,162,008	16.35
Add: Granted during the year	-	-	-	-
Less: Forfeited during the year	-	-	390,502	16.35
Less: Exercised during the year	-	-	-	-
Less: Expired during the year	771,506	16.35	-	-
Outstanding at the end of the year	-	-	771,506	16.35
Exercisable at the end of the year	-	-	581,004	16.35
Weighted average remaining contractual life (in years)	N.A.		1.53	
Weighted average fair value of options granted (Rs.)	N.A.		2.43	

- A. The Black Scholes model has been used for computing the weighted average fair value of options considering the following inputs:

Series-I

Particular	Year-1	Year-2	Year-3	Year-4
Fair Market Value (Rs.)	16.35	16.35	16.35	16.35
Exercise Price (Rs.)	16.35	16.35	16.35	16.35
Expected Volatility (%)*	0%	0%	0%	0%
Historical Volatility*	N.A.	N.A.	N.A.	N.A.
Life of the options granted (in years)	2	3	4	5
Average risk-free interest rate (%)	8.34%	8.30%	8.28%	8.27%
Expected dividend yield (%)	1.65%	1.65%	1.65%	1.65%

Series-II

	Year-1	Year-2
Fair Market Value (Rs.)	16.35	16.35
Exercise Price (Rs.)	16.35	16.35
Expected Volatility (%)*	0%	0%
Historical Volatility*	N.A.	N.A.

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Life of the options granted (in years)	2	3
Average risk-free interest rate (%)	8.34%	8.30%
Expected dividend yield (%)	1.65%	1.65%

* Since the Company is unlisted, the volatility has been considered to be Zero.

Weighted average fair value of option granted under Series I & Series II is Rs 3.68 and Rs 2.43 respectively.

- B. ESOP 2011 has no impact on the compensation cost in the statement of profit and loss & financial position of the Company since the Company has followed Intrinsic Value Method where in Exercise price of option is same as Intrinsic Value of the Share on Grant Date i.e. Rs 16.35/share. Had the company used the fair value model to determine compensation, its profit after tax and earning per share as reported would have been changed to the amount indicated below:-

Particular	Year ended 31.03.2014	Year ended 31.03.2013
Profit / (Loss) as reported (Rs.)	(355,392,990)	192,280,617
Add: Employee stock compensation under intrinsic value method (Rs.)	-	-
Less: Employee stock compensation under fair value method (Rs.)	-	2,068,189
Proforma profit / (Loss) (Rs.)	(355,392,990)	190,212,428
Earning per share (Face Value- Rs 10 per share)		
Basic (Rs.)		
- As reported	(4.48)	2.42
- Proforma	(4.48)	2.40
Diluted (Rs.)		
- As reported	(4.48)	2.42
- Performa	(4.48)	2.39

Since The Company could not launch its Initial Public Offer (IPO) within the validity period of the SEBI Approval for launching the IPO (which expired on July 31, 2013) and accordingly, on account of non-listing, vested stock options could not be exercised by the optionholders. As the possibility of launching an IPO in near future seemed bleak, the vested as well as unvested/granted stock options stood redundant/unattractive to the optionholders, given that they cannot exercise these stock options and as such no exit route was available to the optionholders on account of non-listing. Accordingly, based on the consent of all the optionholders, Board's approval and subsequent approval from the shareholders, the ESOP 2011 stood scrapped/cancelled/annulled on September 30, 2013 including all the vested, unvested, and lapsed stock options thereunder.

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

39. Expenditure in Foreign Currency:

(Amount in Rs)

Particulars	Year Ended 31.03.2014	Year Ended 31.03.2013
Expenditure in Foreign Currency		
Membership Fee and Subscription Fee	642,750	535,500
Import Factor Commission	4,294,809	3,989,841
Consultancy Expenses	-	865,869
Others	473,904	613,873

40. Employees Benefits

i) Defined Contribution Plan:

The Company has recognized Provident Fund and Family Pension Schemes contribution Rs. 3,343,967 (previous year Rs. 2,674,190) 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.

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 31.03.2014	Year Ended 31.03.2013
Discounting Rate	8.50%	8.00%
Future Salary Increase	6.00%	5.50%
Retirement age	58 Years	58 Years
Mortality Rate	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Ages	Withdrawal rate (%)	Withdrawal rate (%)
- Upto 30 Years	3	3
- From 31 to 44 years	2	2
- Above 44 years	1	1

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

b) Changes in the Present Value of Obligation:

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
a) Present value of obligation as at beginning of the year	1,636,571	901,850	3,814,833	2,259,891
b) Interest cost	130,926	72,148	305,187	180,791
c) Past Service cost	-	-	-	-
d) Current Service cost	745,212	583,971	1,034,175	1,453,873
e) Benefits paid	(618,078)	-	(1,659,247)	(1,625,936)
f) Actuarial (gain)/ loss on obligation	758,536	78,602	(91,131)	1,546,214
g) Present value of obligation as at end of the year	2,653,167	1,636,571	3,403,817	3,814,833

c) Fair Value of Plan assets:

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
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	(2,653,167)	(1,636,571)	(3,403,817)	(3,814,833)

d) Actuarial gain/loss recognized:

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
a) Actuarial (gain)/loss for the year-Obligation	758,536	78,602	(91,131)	1,546,214
b) Actuarial (gain)/loss for the year-Plan assets	-	-	-	-
c) Actuarial (gain)/ loss recognized in the year	758,536	78,602	(91,131)	1,546,214

e) Amounts to be recognized in the Balance Sheet:

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
a) Present value of obligation as at end of the year	2,653,167	1,636,571	3,403,817	3,814,833
b) Fair Value of Plan Assets as at end of the year	-	-	-	-
c) Funded status	(2,653,167)	(1,636,571)	(3,403,817)	(3,814,833)
d) Net Liability recognized in the Balance Sheet	(2,653,167)	(1,636,571)	(3,403,817)	(3,814,833)

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

(Amount in Rs)

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
a) Current Service cost	745,212	583,971	1,034,175	1,453,873
b) Past service cost	-	-	-	-
c) Interest cost	130,926	72,148	305,187	180,971
d) Return on the plan assets	-	-	-	-
e) Net Actuarial (gain)/loss recognized in the year	758,536	78,602	(91,131)	1,546,214
f) Expenses/(Income) recognized in the Statement of Profit and Loss	1,634,674	734,721	1,248,231	3,180,878

41. Capital to Risk Assets Ratio (CRAR):

Items	As at 31.03.2014	As at 31.03.2013
CRAR	20.95%	21.35%
CRAR - Tier I Capital	14.33%	14.88%
CRAR - Tier II Capital	6.62%	6.47%
% of Perpetual Debt to Tier I Capital (ex-Perpetual debt)	23.28%	13.41%

42. Exposure to Real Estate Sector

(Amount in Rs)

Category		As at 31.03.2014	As at 31.03.2013
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;	454,800,000	525,252,231
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	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).		-	-

43. 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 31.03.2014		As at 31.03.2013	
	Outstanding	Overdue	Outstanding	Overdue
a) Debentures/ Bonds				
- Secured	1,081,046,739	-	377,713,787	-
- Unsecured	1,351,261,644	-	275,513,698	-
b) Deferred Credits	-	-	-	-
c) Term Loans (including demand loan).	4,245,867,883	-	7,543,575,863	-
d) Inter-corporate loans and borrowing	-	-	-	-
e) Commercial Paper	-	-	600,000,000	-
f) Other Loans (Cash Credit and Overdraft)	533,458,452	-	1,182,170,670	-

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 31.03.2014	As at 31.03.2013
a. Secured	2,130,897,509	2,631,498,841
b. Unsecured	7,300,033,482	11,339,700,293
Total	9,430,930,991	13,971,199,134

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

(Amount in Rs)

Particular	As at 31.03.2014	As at 31.03.2013
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	-	-

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

3. Other loans counting towards AFC activities:		
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-

(D) Break up of Investments:

(Amount in Rs)

Particular	As at 31.03.2014	As at 31.03.2013
Current Investment		
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	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Other	-	-
Long Term Investment		
<u>Quoted:</u>		
(i) Shares : Equity : Preference	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

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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	2,130,897,509	7,300,033,482	9,430,930,991
Total	2,130,897,509	7,300,033,482	9,430,930,991
(Previous Year)	2,631,498,841	11,339,700,293	13,971,199,134

Note: Amount is net of provisions against substandard assets.

(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	45,507,184	44,428,963

(G) Other Information:

(Amount in Rs)

Particulars	As at 31.03.2014	As at 31.03.2013
3. Gross Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	2,377,365,805	494,098,260
4. Net Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	1,629,493,410	384,898,260
5. Assets acquired in satisfaction of debts	-	-

IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

44. Maturity Pattern of Assets and Liabilities:

(Rs in Crore)

	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
Liabilities:									
Borrowings from Banks	1	-	2	-	238	29	7	-	277
Market Borrowings	-	-	10	4	7	100	117	183	421
Total	1	-	12	4	245	129	124	183	698
(Previous Year)	40	71	5	66	644	25	71	67	989
Assets:									
Advances	130	156	138	85	88	51	201	37	886
Investments	-	-	-	-	-	-	-	4	4
Total	130	156	138	85	88	51	201	41	890
(Previous Year)	223	266	213	196	136	86	49	-	1,169

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IFCI FACTORS LIMITED

IFCI FACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

46. Monitoring of Fraud

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 four fraud accounts amounting to Rs. 23.05 crore during the current year (Previous year – Nil).

47. Previous year's figures have been regrouped / rearranged wherever considered necessary.

As per our audit report of even date attached

For S. N. Dhawan & Co.
Chartered Accountants
Firm Registration No. 000050N

Sd/-

(Suresh Seth)
Partner

Date: April 15, 2014
Place: New Delhi

For and on behalf of Board of Directors

Sd/-
(Malay Mukherjee)
Chairman

Sd/-
(Bikash Kanti Roy)
Managing Director

Sd/-
(Rajiv L. Jha)
Company Secretary

Sd-
(Lalit Bansal)
CFO