



GEECEE FINCAP LIMITED

(Formerly Known As GCIL FINANCE LIMITED)

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ANNEXURE -B

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

➤ GEECEE FINCAP LIMITED – AN OVERVIEW:

GeeCee Fincap Limited is a wholly owned subsidiary of GeeCee Ventures Limited and is a Systemically Important Non-Deposit accepting Non-Banking Financial Company, holding a certificate of Registration No. N-13.01905 dated 14th July, 2008.

➤ MACROECONOMIC REVIEW AND INDIAN ECONOMIC REVIEW:

▪ **Global Economy**

The global economy has shown tremendous resilience despite steep rate hikes by global central banks after inflation spike. Though the growth has not got affected significantly but inflation came under control prompting market to price rate cuts aggressively in 2024 by central banks particularly Federal Reserve. But communication from Federal Reserve have warned market against this aggressive pricing of rate cuts which pushed the rates higher again. As growth is not getting affected despite steep rate hikes and the inflation is still not completely under control, Central Banks are patient to see through this cycle and not in hurry to cut rates, unless growth falters. Geo-Political development is keeping financial market cautious but so far they have remain largely unaffected. Effect of this on crude price is closely watched as this can be important trigger for global economy. Gold off late have appreciated sharply because of geo-political tension and buying interest of some central banks.

On domestic front GDP growth continue to be strong. The Second advance estimate released by National Statistical Office (NSO) for 2023-24 projected the growth at 7.6% making India the fastest growing country among large economies. On supply side gross value added (GVA) expanded by 6.9% in 2023- 24. The manufacturing and services sectors turning out to be key drivers. Real GDP growth for Q3: 2023-24 is placed at 8.4%. Headline CPI inflation moderated to 5.3% in October 2023- February 2024 from an average of 5.5% in H1 2023- 24. Food inflation continue to remain volatile. Core inflation has been steadily declining with a print of 3.4% in February 2024. This is a goldilocks situation for us having high growth with moderate inflation.

Banking industry continue to look healthy with robust credit growth nearing 20% for the industry. The deposit remain a challenge for banking industry with growth of 13.8%. A healthy growth in economy provide opportunity for Banks to grow their asset books, Under-pricing of risk in good times is a normal mistake which can be a risk. On liability side the deposit growth vis-a-vis credit demand remain a challenge. With healthy capital position, sound economy banks have opportunity to grow. Funding this growth and negative impact on economy due to global headwind can be a risk.

▪ **Indian Economy**

The Indian economy has been consistently outperforming all other leading economies over the last few years with respect to both GDP growth as well as other macro-economic factors. This is primarily backed by the government's strong infrastructure push and slow-but-steady revival in private consumption as reflected in the uptick in several high frequency indicators such as Index of Industrial Production ('IIP'), GST collections, sales of consumer durables, two-wheelers and passenger cars, and system credit and deposit growth. The economy has also shown significant resilience to external factors such as supply chain disruptions, growing geopolitical tensions,



inflationary pressures, and weakness in global demand, further underscoring the strength of its underlying fundamentals.

In FY 2023-24, India continued to surpass all market estimates quarter on quarter and closed the financial year with 8.2%¹ Year on Year (“YoY”) growth. We have also demonstrated strong fiscal consolidation in recent years with fiscal deficit for FY 2023-24 declining to 5.6%² (vs originally budgeted at 5.9%³). Our Monetary Policy Committee (“MPC”) has been successful in navigating the high interest rate environment and maintaining the retail inflation within its target range of 4-6% in recent months (4.85%⁴ in March 2024). India’s external position also remains healthy with forex reserves touching an all-time high of \$651.5 Billion⁵ providing it with a comfortable import cover. Despite geopolitical uncertainties, Indian markets have also continued to attract healthy foreign portfolio investment of Rs.3.4 lakh crore⁶ in FY 2023-24. India’s growing importance in international markets is further underscored by JP Morgan’s announcement regarding India’s inclusion in its emerging market debt index in FY 2024-25.

All of these are reflected in S&P Global Ratings’ upgrade of India’s sovereign rating outlook to ‘positive’ from ‘stable’ while retaining the rating at ‘BBB-’ in May 2024. As per the agency, the rating draws support from India’s sound economic fundamentals underpinning the growth momentum in the coming years and the expectation of broad continuity in economic reform and fiscal policies by the government even after the 2024 elections.

The financial services segment, and in particular NBFCs & HFCs, has been a key facilitator of this economic growth. Credit growth has remained robust in FY 2023-24 backed by strong demand from consumers, the Government of India’s (“GoI’s”) push on financial inclusion, and ever-improving access to credit by way of increasing focus on digitalisation across the industry. We believe that we have also reached the peak of this rate-hike cycle and may see some cuts towards the later half of FY 2024-25. These factors, coupled with decade-low Non-Performing Assets (“NPAs”) and an actively evolving regulatory framework, pave way for healthy double-digit credit growth in the coming years as well. The growth is likely to be broad-based across segments with some moderation expected in the unsecured products. While margins may see some pressure due to elevated interest rates in the short term, overall the sector is expected to report healthy operating performance in over a longer term.

Source: ¹&⁴ Ministry of Statistics and Programme Implementation; ² Controller General of India; ³ Ministry of Finance; ⁵As of 7th June 2024, Reserve Bank of India; ⁶ NSDL.

➤ **INDUSTRY STRUCTURE AND DEVELOPMENTS:**

India's financial sector is undergoing significant growth and diversification, comprising a wide range of entities, including commercial banks, insurance companies, non-banking financial companies, cooperatives, pension funds, mutual funds, and other smaller financial entities. The banking regulator has recently allowed the establishment of payment banks, further expanding the variety of financial services available in the country.

India has a diversified financial sector undergoing rapid expansion with many new entities entering the market along with the existing financial services firms. The sector comprises commercial banks, insurance Companies, NBFCs, Housing Finance Companies, Co-operatives, Pension Funds, Mutual Funds and other smaller financial entities. Non-Banking Finance Companies (NBFCs) form an integral part of the Indian financial system. India is expected to be fourth largest private wealth market globally by 2028.

Since the last decade, the NBFC sector has held critical importance in the Indian Financial Services sector. NBFC sector plays important role in financial inclusion by meeting credit needs of retail and MSME sector. NBFCs bring the much needed diversity to the financial sector by providing consumer credit, including automobile finance, home finance and consumer durable products



finance, wholesale finance products such as bills discounting for small and medium companies and fee based services such as investment banking and underwriting.

The Reserve Bank of India (RBI) issued the much-awaited Master Direction (MD) – Reserve Bank of India (Non Banking Financial Company – Scale Based Regulation) Directions, 2023 (MD) on 19 October 2023. The MD has been issued in supersession of the existing Master Directions Systemically Important and Non-Systemically Important NBFCs.

RBI has followed a streamlined approach by consolidating the provisions of the Master Directions applicable to Systemically and Non-Systemically important NBFCs, certain provisions of the Scale Based Regulatory Framework for NBFCs and the related circulars released by the RBI periodically, into one single Master Direction. All the NBFCs, except the expressly exempt ones, shall be governed by this MD.

RBI has established a layered approach with incremental obligations being assigned to each layer, as the NBFC progresses based on its asset size, scale of activity and perceived riskiness. For ease of reference, the MD is divided into sections applicable for different categories of NBFCs, viz. NBFC-Base Layer, NBFC-Middle Layer, NBFC-Upper Layer, etc. depending upon size and function.

The MD has come into force with immediate effect (i.e., 19 October 2023).

➤ **OPPORTUNITIES AND THREATS:**

The biggest opportunity for financial services sector in India currently lies in the sheer size of the economy. India is now the 5th largest economy worldwide and well on its way to become the 3rd largest within this decade. The GOI's infrastructure push, revival in private capex, growth of the SME ecosystem, increasing consumer demand, and potential of demographic dividend are all expected to drive this growth. Further, the current credit penetration in India – Credit to GDP ratio – remains low at ~70% compared to other larger economies; this is expected to sharply increase over the next decade backed by rapidly developing digital public infrastructure and a notable improvement in the credit appetite seen across segments. All of this indicates a significant market opportunity of INR 500 lakh crore+ for all lenders in the country.

With increasing financial inclusion, a large part of this opportunity shall arise from the deeper markets, where both banks and non-banks have started making significant inroads. This has led to both larger and smaller players alike to increasingly adopt a 'phygital' strategy allowing them to cater to this largely new-to-credit base in a cost-effective manner, leveraging both physical presence alongwith superior digital capabilities. Further, the sector is also witnessing a collaboration between incumbents and new age FinTechs for both capability building as well as distribution that has helped the former to provide their customers with a seamless experience, creating win-win propositions for all stakeholders involved in the lending lifecycle.

Over the few years, the regulator has been actively involved in bringing regulations that have strengthened the sector and improved customer protection. This shall go a long way in enabling innovation and growth in a responsible manner. In the last year alone, the RBI has introduced multiple guidelines on consumer credit & bank credit to NBFCs, fair practice code, investments in AIFs, implementation of 'Key Facts Statement' by lenders, etc. This shall also spur both banks and non-banks to conform to highest levels of corporate governance and compliance standards across the board.

While there's every reason to be optimistic about India's growth story, the sector may face some headwinds in the coming year – elevated cost of funds, margins under pressure, availability of funds for smaller non-banks, and some moderation in asset quality. While the current macroeconomic environment has been stable with overall inflation well within the target range since the start of the year, the rate cuts are not expected to kick-in at least till later part of the



year. As a result, margins are expected to remain under pressure. In addition, the lower-than-expected deposit mobilization for the banks may impact their borrowing costs as well as their ability to extend credit to various sectors including NBFCs. This may further impact the non-banks. Furthermore, with recent increase in the unsecured portfolio for several players, the sector may see some moderation in the asset quality.

➤ **SEGMENT-WISE/ FINANCIAL & OPERATIONAL PERFORMANCE:**

The Company's business activity primarily falls within Financing and Investment activities. Hence, there are no additional disclosures required under "Accounting Standard - 17 'Segment Reporting'". The Company operates primarily in India; hence there is no other significant geographical segment that requires disclosure. The gross revenue from such Financing and Investment activities for the financial year 2023-2024 is Rs 614.22 Lakhs.

➤ **OUTLOOK, RISKS AND CONCERNS:**

The Outlook of the Company for the year ahead is to diversify risk and stabilize its asset quality. The Company will look to grow its supply chain, structured finance and will focus on the recovery.

Risk management forms an integral part of our business. We continue to improve our policies rigorously for the efficient functioning of the business. As a lending company, we are exposed to various risks that are related to our lending business. Our objective in our risk management processes is to measure and monitor the various risks that we are subject to and to follow policies and procedures to address these risks.

Risks are identified at the time of business planning and quantified using scenario planning. The Company takes risk management seriously and its procedures and policies in the area are well defined and considered appropriate for the assessment and management of individual risk categories. One of the major concerns for the company is the risks that are associated with the rising inflation and geopolitical tensions in the form of war between Ukraine and Russia.

➤ **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has adequate internal control systems commensurate with the size and nature of its business. Well documented policies, guidelines and procedures to monitor business and operational performance, all of which are aimed at ensuring business integrity and promoting operational efficiency. All assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly, financial and other data are reliable for preparing financial information and other data and for maintaining accountability of assets. The internal control is supplemented by extensive programme of internal audits and review by management. The system has been designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors of the Company. The Audit Committee of the Board reviews the adequacy and effectiveness of the internal control systems and suggests improvements, if any for strengthening them.

➤ **DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

Particulars	(Rs. In lakhs)	
	2023-24	2022-23
Revenue from operations	614.22	791.35
Other Income	0.01	12.18
Total Income from operations	614.23	803.53



Expenses:		
Less: Purchase of Stock in Trade	0.00	0.00
Less: Financial Costs	-	11.52
Less: Depreciation	0.07	0.26
Less: Other Expenses	35.18	22.45
Profit before Taxation & Extra- Ordinary Items	578.98	769.30
Add: Extra- Ordinary Items	0.00	0.00
Net Profit Before Tax	578.98	769.30
Less: Current Tax	67.56	84.46
Less: Provision for Deferred Tax	23.66	25.42
Less: Tax in receipt of earlier years	-	(4.51)
Net Profit after Exceptional Items and Tax	487.76	663.93
EPS (Basic per share of face value of Rs. 10/-)	13.01	17.70
EPS (Diluted per share of face value of Rs. 10/-)	13.01	17.70

➤ **HUMAN RESOURCES/ INDUSTRIAL RELATIONS:**

Your Company's closing headcount for F.Y. 2023-24 was 2. GeeCee Fincap Limited recognizes that its people are key to the success of the organization. Your Company continued to make substantial investments in human capital to meet its growth targets. The Company's business is managed by a team of competent and passionate leaders capable of enhancing your Company's standing in the competitive market. The Company's focus is on unlocking the people potential and further developing their functional, operational and behavioural competencies. The relations with all employees of the Company remained cordial and there were no significant issues outstanding or remaining unresolved during the year. The Board of Directors and the Management wishes to place on record their appreciation of the efforts put in by all the employees.

The ultimate aim of the management is to create a dependable work force that will play a key role in assisting the Company to achieve its goals in the various new business opportunities the Company is pursuing. To achieve the highest levels of organizational performance, Company has a well exercised approach to organizational and personal learning that includes sharing knowledge via systematic processes. Organizational learning includes both continuous improvement of existing approaches and significant change of innovation leading to new goals and approaches.

We believe that our continued success will depend on ability to attract and retain key personnel with relevant skills and performance.

➤ **CAUTIONARY STATEMENT:**

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include significant changes in political and economic conditions in India and internationally, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the company's business as well as the ability to implement strategies. The Company assumes no responsibility nor is under any obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.