

## ECONOMIC OVERVIEW

The year gone by proved to be quite tumultuous for the Indian economy, though, the initial anxiety over the outcome of the general elections gave way to relief and optimism as the incumbent NDA coalition returned to power. In the backdrop of the United States-China trade tensions and other factors, the economy globally has seen one of the slowest growth rates since 2008 financial crisis. The Indian economy registered a growth of 4.1% in FY 2019-20, much lower than the 6.1% in FY 2018-19. Besides for the Q4 FY20, the GDP growth rates were reported significantly lower at 3.1%.

The biggest calamity was the outbreak of coronavirus, which originated in Wuhan, China, in December 2019 and grew from a local problem in China to a global pandemic in a matter of weeks in early CY 2020. The Covid-19 pandemic has had a material impact on the world economy, including on India. Lockdowns in most of the affected countries saved lives but were a huge blow to economic activities and the impact will be felt for a long time to come. To counter the losses and prevent a complete economic breakdown, governments and central banks around the world have unleashed unprecedented amounts of fiscal and monetary support. Nonetheless, warning of a recessionary effect was issued by top analysts.

To combat this pandemic, the government of India also ordered a phase-wise lockdown during the end of March 2020. The lockdown has slowed down the economy, leading to a potential contraction in GDP. In the past 69 years, India has seen recession only thrice – as per available data – in 1958, 1966 and 1980. The reason was similar each time – poor monsoons, adversely impacting agriculture, and then a sizable part of the economy. This Covid-19 led recession is different. The economic conditions have slid precipitously due to the extension of lockdown, higher economic cost and an insufficient economic package, countered by containment measures, a normal monsoon and soft crude oil prices. Wage stagnation, job losses, rising rural unemployment rates, stressed non-banking financial companies and decline in credit growth may cause a sharp drop in domestic demand.

To reduce the impact of the pandemic, the government announced a slew of measures aimed at restarting the economy, such as liberalizing sectors to attract foreign direct investments, upfront capital infusion in public sector banks to alleviate liquidity concerns and reducing corporate tax rates to revive private investments. The government unveiled a ₹ 20.9 lakh crore relief package under the Atma Nirbhar Bharat Abhiyan. The five pillars of the package are economy, infrastructure, system, vibrant demography and demand. To address the near-term issues, apart from direct-benefit transfers and additional spending through MNREGA, the government has mobilised transfers to micro, small and medium enterprises (“MSMEs”), agriculture and affordable-housing sectors. The stimulus also focuses on providing support to MSMEs to keep them afloat. This would provide the much-needed liquidity to MSMEs, which are known to face severe working capital crunch during downturns.

The expert says that Indian economy will rebound, as the impact of the pandemic recedes, with improving economic growth momentum in the second half of 2020. As lockdown conditions have been progressively eased, early signs of recovery are evident in the most recent economic data. The most important growth factor for India is its large and fast-growing middle class, which is helping to drive consumer spending. The second-largest population, highest young and working population coupled with rapid urbanisation and rising affluence are key indigenous advantages to achieve stronger economic growth rate in India in the middle to long term.

## INDUSTRY OVERVIEW

The COVID-19 pandemic has pushed businesses across sectors to change the way they operate and the insurance industry is no exception. Existing insurers are in stress from selling new policies to settling claims. A large proportion of this industry is dependent on industries and businesses such as automobile, travel, hotels and infrastructure, so challenges in these sectors due to the lockdown could create additional issues. The automobile sector was witnessing a slowdown even before the pandemic and lockdown leading to job loss and pay cuts across most industries will put the purchase of new vehicles on the back burner, hurting the motor insurance space further. Though the relief is that the number of claims for Covid-19 is not really hurting insurers as much because the number of planned surgeries are down at the moment. Also, for general insurers who have a mixed bag of products, motor claims are down due to the lockdown and social distancing which means their loss ratio is down too. The extended lockdown in the wake of Covid-19 has pushed insurance companies to depend heavily on their digital architecture

Your directors believe that, in spite of stress on existing insurance companies, the pandemic brings lots of opportunities for insurance business, specifically for new companies, as the fear around Covid-19 has pushed people to buy health insurance and other insurance products, which will also lead a great demand in untapped rural India as well. With the greater awareness of being protected and protecting loved ones from unforeseen risks, consumers are more inclined towards protection covers, leading to an increased demand for health and life insurance plans. However due to the overall uncertainty in the environment and the market volatility, investment-linked products could experience a drop in demand as consumer confidence in the stock market is shaky.

## BUSINESS OVERVIEW

As the Company is venturing into new business streams of Life and General Insurance, through its subsidiaries and is engaged with the relevant regulatory authorities for obtaining necessary approvals to pursue Life Insurance and General Insurance businesses, alongwith the existing Consumer Platform and other related financial services activities etc. Further, your directors are pleased to inform that the

## Management Discussion and Analysis (contd.)

Company's wholly owned subsidiaries, viz., Indiabulls Life Insurance Company Limited (IBLIC) and Indiabulls General Insurance Limited (IBGIL) have received regulatory R1 acceptance from Insurance Regulatory and Development Authority of India (IRDAI) for their proposed life insurance business and general insurance business, respectively. After satisfying all prerequisite steps/conditions, as specified by IRDAI including adequate capitalization of IBLIC and IBGIL, they had applied for necessary registration (R2) with IRDAI to undertake life insurance and general insurance business in India. The applications for R2 for such proposed life insurance and general insurance business are currently under the consideration of IRDAI and probably might have been delayed due to Covid-19 conditions. The Company is in the process of putting in place the necessary systems to undertake life insurance and general insurance businesses in India, upon receipt of all requisite approvals/registrations.

The Company primarily, directly and through its subsidiaries, is also engaged in the businesses of digital platform, providing management and maintenance services, equipment hiring services, financial services with the primary focus on financing in rural markets, and other related services and businesses.

To streamline the operations and ownership structure of the Company, in a manner leading to maximization of stakeholders' value and diversification of shareholders' portfolio by providing them direct ownership in each business segments, and to have a focused approach towards upcoming insurance business (comprising of life insurance, general insurance and/or other related businesses), the Board of Directors of the Company had approved the composite Scheme of Arrangement amongst the Company, its direct and indirect subsidiaries (viz SORIL Infra Resources Limited, Albasta Wholesale Services Limited, Sentia Properties Limited, Lucina Infrastructure Limited, Ashva Stud and Agricultural Farms Limited, Mahabala Infracon Private Limited, Store One Infra Resources Limited, Indiabulls Enterprises Limited and Indiabulls Pharmicare Limited) and Indiabulls Pharmaceuticals Limited and their respective shareholders and creditors ("Scheme"). Pursuant to the Scheme, the shareholders of the Company will get shares of Indiabulls Enterprises Limited, free of any cost, in lieu of their shareholding in the Company. The shares of Indiabulls Enterprises Limited will get listed on NSE and BSE and with this, post effectiveness of the Scheme, they will have shares of two listed entities –

- (1) the Company, the equity shares of which are listed and will remain listed on NSE and BSE, focusing on life and general insurance and related businesses, and
- (2) Indiabulls Enterprises Limited, equity shares of which will be listed on NSE and BSE, focusing on non-insurance businesses of the Company and its subsidiaries (including proposed pharma business and rural finance business).

Your directors are pleased to inform that, during FY 2019-20, the Company had received NOCs (observation letters) from the National Stock Exchange of India Limited and BSE Limited, and have filed the Scheme and Company Application, under Section 230 to 232 of the Companies Act, 2013 and Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, before jurisdictional bench of NCLT.

Further, with a view to enable the Company to create its unique digital identity through its digital platform "Yaarii", of which the Company has proprietary rights, and to charter right direction for its continuous focus around promoting digital financial and other solutions and given that Yaarii app, as a digital distribution platform finds resonance as on date with lacs of customers across a range of financial products and to leverage on its brand identity to grow to next frontier, it is proposed to change the name of the Company to 'Yaarii Digital Integrated Services Limited', so as to bring the name of the Company in sync with its registered trademark "Yaarii" and Yaarii Digital App.

Yaarii app is a fintech marketplace for a bouquet of various financial products including personal loans, life and general insurance, mutual funds etc and currently is in the business of promoting various available financing options for retail customers. Yaarii is a mobile first business available for access anywhere anytime through its Android & iOS Application. Ever since its inception, Yaarii has managed to help retail customers with their personal requirements of various financial products. Yaarii provides its customers a unique in-house proprietary model of credit decisioning, instant knowledge of their borrowing ability & the lenders accordingly interact for credit worthy borrowers for processing disbursements. In a short span, Yaarii has achieved a customer base of over 50 lac customers, who have downloaded Yaarii app & used the platform to get access to the financial products. Yaarii has facilitated digital journey of over 50 lac customers, till date, for their financial needs and over 1 lac customers interact on the Yaarii platform every month. Bajaj Finserv, Dhani, Lendingkart, Cashkumar, Loantap, EarlySalary are amongst the few who are already live on the platform. HDFC Bank, RBL Bank, Tata Capital, Axis Bank, Fullerton, Faircent, NeoGrowth have already been on board on the Yaarii platform and are expected to go live in Q4 of 2020-21. Yaarii is further looking to aggregate marketplace model to other financial products in the investment domain also with a focus on building robotic investment advisory services, and distribution of digital gold, mutual fund, national pension schemes, life and general insurance.

### INDUSTRY STRUCTURE AND DEVELOPMENT AND BUSINESS OUTLOOK

The Indian life insurance industry has seen a plethora of changes since it was opened up to the private sector in the year 2000. While there have been interim setbacks, the industry as a whole has grown multifold over the last 20 years. The insurance industry of India consists of 59 insurance companies of which 24 are in life insurance business, 34 are non-life insurers, as per list mentioned in Insurance Regulatory and Development Authority of India (IRDAI) website. Gross premium collected by life insurance companies in India increased from ₹ 2.56 trillion (US\$ 39.7 billion) in FY12 to ₹ 7.31 trillion (US\$ 94.7 billion) in FY20. The market share of private sector companies in the non-life insurance market rose from 15 per cent in FY04 to 56 per cent in FY20. In life insurance segment, private players had a market share of 31.3 per cent in new business in FY20.

The Government of India has also taken numerous initiatives to boost the insurance industry. Some of them are as follows:

- 100% Foreign Direct Investment (FDI) for insurance intermediaries,
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned Initial Public Offering (IPO) guidelines for insurance companies, which are looking to divest equity through the IPO route,
- IRDAI has allowed insurers to invest up to 10% in additional Tier 1 (AT1) bonds that are issued by banks to augment their Tier 1 capital, in order to expand the pool of eligible investors for the banks,
- Life insurance companies operational for 10+ years are now allowed to go public by IRDA,
- Launches of Pradhanmantri Jeeva Jyoti Beema Yojna, Atal Pension Yojna, Pradhanmantri Swasthya Beema Yojna,
- Enrolments under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 154.7 million till December 2019 since its launch,
- Over 53.8 million farmers were benefitted by the Pradhan Mantri Fasal Bima Yojana (PMFBY) in FY20.

Apart from this; adoption of technology, positive demographics changes and education, have contributed to this growth. As a result, the outlook for insurance markets in emerging economies remains largely positive, even as cyclical and structural factors weigh on the overall macro growth prospects.

However, the pandemic has pushed businesses across sectors to change the way they operate and the insurance industry is no exception. Still, insurance industry continues to grow rapidly with the rising awareness among people for financial protection and saving, supported by demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning.

### OUR STRATEGY

Our strategy focuses on ensuring that our customer is at the core of everything we do. We believe in building a sustainable organization that remains relevant to the agenda of our stakeholders, and providing value to our clients, and aim to create growth opportunities to our employees and profitable returns to our investors. The Company's strategy for long term profitable growth is based on continuously scaling its various businesses in India, while investing in new markets and venturing into new businesses.

#### The customer at the center of the industry:

Customers now demand a transparent and seamless experience enabled by technology that provides quick information/feedback. Customers are now setting new standards of ease, convenience and value, expecting 24-hour access along with customized products at competitive prices. Customer journeys and an increasing focus on customer experiences is now emerging as a key imperative for the insurance sector. The era of lengthy paper-based forms and multiple signatures is now behind us.

#### Digitisation

Digital technology has proved to be a game changer in almost all industries and the insurance industry is no exception. Increasing internet penetration (with the number of users in India expected to rise from 429 million in 2017 to 829 million by 2021 at the rate of 17.9%) will continue to influence the insurance business as well as other industries. Technology today is evolving and disrupting businesses at a pace never seen before. Blurring lines of business coupled with increased flow of information have created an ultracompetitive marketplace where it has become important to continuously innovate and be agile. Rapidly evolving customer behavior means that providing a frictionless end-to-end buying experience to customers has become of utmost importance.

Considering Yaarii existing & future digital customer base and huge potential in digital business, going forward the Company intends to pursue its substantial existing and future businesses, including proposed insurance business, digitally under the brand Yaarii, through its Yaarii app, without any physical branches. Yaarii will use its reach to millions customers to sell, service & cater the insurance products of Company's subsidiaries, as and when these products become available. This will be done through intuitive product UI with smart product recommendations & hassle free claims process.

### OUR STRENGTHS

#### Presence of dynamic leadership and professional management team

The Company and the group companies are headed by professional industry leaders and are overseen by Boards comprising of eminent industry veterans. The Group benefits immensely from the diverse and collective experience of these individuals and the proposed life and general insurance business will also draw from their inputs and experience. The Company will further have insurance experts and will benefit from highly skilled and experienced key management personnel, well-trained employee force, business partners, strong analytics and technical background.

#### Technological expertise

## Management Discussion and Analysis (contd.)

Indiabulls Group companies are technology leaders within their respective sectors pioneering many cost-effective and customer-centric innovations. The Group has also effectively deployed technology to further expand its reach into the hinterlands. The technology thrust of the Group is customer focused and aims at offering utmost customer convenience and maximum cost effectiveness. While entering into the proposed insurance businesses, the Company shall be highly benefited with group's technological expertise.

### **Robust systems and process**

The Company believes that the systems and processes are its major strength. Considering the long-term nature of the business, the Company will put in place robust processes and systems for the orderly growth of the Company. We shall develop appropriate systems and processes to ensure that the investments of the Company are in line with the regulatory requirements and asset-liability norms.

### **Strong brand recognition – creating value to the projects**

The Company believes that the brand recognition and trust associated with the brand "Yaarii" has a cascading effect on company's existing and proposed business. The proposed change of the name of the Company to "Yaarii Digital Integrated Services Limited" and attaining substantial existing and future businesses, including proposed insurance business, under the brand name "Yaarii", will also allow Company's operations to have a unique recognition and for its customers to make a distinction when seeking the products offered / to be offered by the Company and its subsidiaries through Yaarii app, as this digital distribution platform finds resonance as on date with lacs of customers across a range of financial products and will leverage on its brand identity to grow to next frontier.

### **OPPORTUNITIES**

There are huge potential and opportunities in insurance sector in India. Government's focus on insuring the uninsured large population and policies are making this market big to bigger. Further, since the pandemic has changed the way people look at insurance, which has pushed companies to tweak their product strategies, there are huge opportunities to re-imagine operations for new companies with new products.

#### **Low insurance Penetration and High Protection Gap**

The country's low penetration vis-à-vis advanced geographies and relatively low share of financial savings as part of household savings provides ample opportunities to the insurers. India has a higher protection gap than many other economies. The overall Protection gap in this country, whether it is life or general (non-life), in most of the segments is about 70% to 80%. Hence, the demand for protection and savings products is on the rise, indicating significant opportunities for the life insurance sector to expand.

#### **Increasing Urbanization and Demographic dividend**

A range of demographic factors including the rise of a middle-class population, young insurance population as well as the rising awareness among the youth about financial protection and insurance products will help to drive the growth of the Indian insurance industry. Also, India's working-age population has grown larger than the dependent population, helping to tap growth potential for risk covers and future savings. The number of people above the age of 60 years is expected to triple by 2050 as compared to 2015, thus providing insurers an opportunity to tap the retirement space by way of offering long-term income and annuity products.

#### **Increasing awareness**

Fear around Covid-19 has made greater awareness amongst people of being protected and protecting loved ones from unforeseen risks. Consumers are more inclined towards protection covers, leading to an increased demand for health and life insurance plans

#### **Opportunities in untapped rural India**

Pandemic Covid-19 has pushed people to buy health insurance and other insurance products and this will lead a great demand in untapped rural India as well.

### **RISKS AND THREATS**

#### **Economic Slowdown**

Due to COVID-19, economy globally has fallen on hard times. If the slowdown continues, its consequences will impact customers spending behavior as a result this might affect new business logins and persistency of Insurance business.

#### **Uncertainty**

Uncertainty is the inability to predict the future with confidence. Because of the presence of uncertainty, we need to consider the effects of possible deviations from the projected figures. Due to overall uncertainty in the environment, the market volatility and the falling interest rates, investment-linked products could experience a drop in demand as consumer confidence in the stock market is shaky.

#### **Cut Throat Competition**

Liberalization will create acute competition in the insurance market. Fierce competition to increase volume and market share will continue as more and more players join the race for the greater Indian insurance.

### Change in individual tax rate

Budget 2020 announced a new tax regime with finer slabs and lower rates subject to the condition that taxable income is arrived at by taking zero deductions under popular tax categories such as HRA, interest on home loan, investments under 80C and medi-claim insurance among others. The dual tax regime for individuals, could potentially has some disruption for a specific segment of consumers, wherein tax saving was also one of the considerations for investment in Insurance policies.

### SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS AND CHANGE IN RETURN ON NETWORTH

In compliance with the requirements of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with other key financial ratios and changes in Return on Network of the Company (on standalone basis) including detailed explanations therefor are as under:

Particulars	2019-20	2018-19
<b>Ratios - Balance Sheet</b>		
Liquid cash as a % of total assets*	52%	55%
Debt Equity Ratio	0.12	0.00
<b>Ratios – Financial performance</b>		
The basic and diluted EPS of the Company decreased during the FY 2019-20, as the Company has incurred losses of ₹22.45 crore as compared to profit ₹ 21.88 crore in the last year.		
Net Profit Margin	(2.21)	0.67
Basic EPS (in ₹)	(2.51)	2.65
Diluted EPS (in ₹)	(2.51)	2.35

\*Liquid cash includes current loans and investment in mutual funds

### Change in Return on Network:

During the year, the Company has incurred losses and hence return on network is negative as compared to positive return of 1.84%.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has in place adequate systems of internal control commensurate with its size and nature of business. It has institutionalised a robust and comprehensive internal control mechanism across all the major processes to ensure reliability of financial reporting, timely feedback on achievement of operational

and strategic goals, compliance with policies, procedures, laws, and regulations. The Board Audit Committee oversees the compliance framework of the Company. The Company has formulated various internal policies/procedures and an employee code of conduct, which govern the day-to-day activities to ensure compliance. The Internal audit function provides independent and reasonable assurance about the adequacy and operating effectiveness of the Internal Controls to the Board and the Audit Committee.

### HUMAN RESOURCES

The Company firmly believes that its employees are the key to driving performance and developing competitive advantage. The emphasis has been on proper recruitment of talent and empowerment while devoting resources for their continuous development. The structured recruitment process, which the Company employs, focuses on recruiting people who have the right mindset for working, supported by structured training programs and internal growth opportunities. As on March 31, 2020, the Company had a strong team of 17 employees, who are aligned and dedicated towards the Company's goals.

### CAUTIONARY STATEMENT

*Statements in this Report on Management Discussion and Analysis describing the Company's objectives, estimates and expectations may be forward looking statements based on certain assumptions and expectations of future events. Actual results might differ substantially or materially from those expressed or implied. The Company here means the consolidated entity consisting of its subsidiary(ies).*

*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.*