

TOKYO FINANCE LIMITED

ANNEXURE-3

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**STRUCTURE AND DEVELOPMENTS, OPPORTUNITIES AND THREATS, PERFORMANCE, OUTLOOK, RISKS AND CONCERNS:**

The world economy witnessed a mixed Calendar Year (CY) 2019. The global real Gross Domestic Product (GDP) growth in CY 2019 was 2.9% compared with 3.6% in CY 2018, reflecting slow growth in both emerging markets and advanced economies. Higher reciprocal tariffs and an uncertain macro environment led to a broad-based slowdown in manufacturing and global trade. Concerns about future global growth and mixed macro environment led to accommodative monetary policies by global central banks (Source: International Monetary Fund (IMF))

The global economy started CY 2020 on a strong note with the US-China trade conflicts reaching phase one agreement and the uncertainty around Brexit fading. However, the outbreak of the COVID-19 pandemic, originating from China and spreading across the world, prompted most major countries to impose a lockdown to break the chain of transmission. The containment measures severely impacted economic activities worldwide

Indian Economy In 2019, India became a US\$ 2.7 Trillion economy, having added one Trillion US dollars in the last five years. The recent Economic Survey of the present government outlined the blueprint to achieve the vision of making India a US\$ 5 Trillion economy by 2024-25.

Following the path, India's rank in the World Bank's Ease of Doing Business 2020 has consistently improved over last three years and stands at 63, among 190 countries, making it the one of world's top 10 most improved countries for the third consecutive time. Further, the government has set a target to invest worth `111 Trillion over 2020-2026 under National Infrastructure Pipeline (NIP). NIP is likely to help provide quality and adequate infrastructure across the nation and boost economic growth. The Reserve Bank of India (RBI) has undertaken a number of measures to ensure sufficient liquidity in the system since the beginning of FY 2019-20.

The policy rate (repo rate) has been cut from 6.25% in the beginning of year to 4% now in ongoing fiscal so far. We also note this time transmission of rate cuts

Covid 19 Outbreak

There has been a major impact on the liquidity position and asset quality of the NBFC Sector. Just before the outbreak. The RBI took various measures to contemplate the NBFC especially after the default by lending infrastructure Finance Company. The Industry was hoping to be at improved liquidity levels during FY20.

Unfortunately, NBFC have been bearing the brunt of the pandemic which would absolutely last longer than expected. The immediate lockdown imposed by the government has severely impacted the incomes of borrowers further affecting the revenue streams due to drop in transaction and loan repayments

The Central bank took measures like provide 3month moratorium for the banks and NBFCs which the NBFCs have likely offered to their borrowers. According to rating agency report “ the immediate implication for NBFCs is the lack of clarity on their debt servicing ability in the near term. “With collections coming to a standstill.the primary cash flows of the NBFC have been completely disrupted.”

Post the lifting of the nationwide lockdown. the NBFCs would clearly have cash flow and operational issues during the second half of FY- 21. The Sector need to be well versed with their contingency plan which can be implemented post the business restart and the economy will definitely bounce back and would rise above the crises.

Indian Accounting Standards (Ind AS):

The Ministry of Corporate Affairs (MCA), based on its notification inthe Official Gazette vide Notification G.S.R. 111(E) and G.S.R. 365(E)dated February 16, 2015 and March 30, 2016 respectively, notified theIndian Accounting Standards (Ind AS) applicable to certain class ofcompanies. Ind AS has replaced the Indian GAAP prescribed undersection 133 of the Companies Act, 2013 read with Rule 7 of theCompanies (Accounts) Rules, 2014. These notifications are applicable to our company effective April 1, 2019.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has adequate Internal Control System commensurate with its size and nature of business. All transactions are properly authorized, recorded and reported to the management. The internal control systems are designed to ensure that the financial statements are prepared based on reliable information. The Internal Audit is continuously conducted by in house Internal Audit department of the Company and Internal Audit Reports are reviewed by the Audit Committee of the Board periodically.

SEGMENT WISE PERFORMANCE:

The Company is operating in a single segment. Hence, no separate segment wise information is given.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

The Company recognizes human resources as a key component for facilitating organizational growth and shareholder value creation. Various initiatives have been taken to strengthen human resources of the Company. Relation with the employees and workers were cordial. Your Company is dedicated to partnering with employees and strengthening its talent pool by providing them with growth and career enhancement opportunities.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis and Directors Report describing the Company’s strengths, strategies, projections and estimates, are forward-looking statements and progressive within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental factors. Readers are cautioned not to place undue reliance on the forward looking statements.