

Management Discussions & Analysis

ANNUAL OVERVIEW AND OUTLOOK

It has been a challenging year with several macro headwinds encompassing Industrial, Infrastructure and Real estate market. Slow economic activity and Liquidity challenges impacted the overall demand scenario in the industry. During the year Government undertook certain initiatives like reduction of corporate tax rates, creating a separate corpus for stalled real-estate projects etc. which could have positive impact in the long run.

Later part of the year also witnessed an unprecedented outbreak of Corona Virus sending global economies into tizzy, impacting supply chain as well as consumer sentiment. Complete lockdown of the country was unparalleled to any disruption experienced in the past several decades. It is feared that COVID-19 would leave a deep cut in economy and corporate financials.

During the lockdown period the Company accorded paramount priority to Employee health and welfare and ensured that its commitment towards payment to the vendors and work force are duly met.

These disruptions impacted the performance of the Company for the year but still managed to secure industry level growth. The Management expects that these are short term challenges and continues to pursue its long term growth strategy. We are confident to lead the recovery in a shorter period in post pandemic phase and strive to sustain profitable growth.

INDUSTRY OVERVIEW

The Indian financial services industry is vast and diverse consisting of Banks, NBFCs, Capital Market, Insurance Sector and the new Payment Bank. India's gross national savings (GDS) as a percentage of Gross Domestic Products (GDP) stood at 30.5% in 2019. With increasing financial penetration, the opportunity in India is very high especially in the rural areas for moving from physical savings to financial savings. With increasing internet penetration and financial literacy, the future growth prospectus of financial service industry in India is very high.

OPPORTUNITIES & THREATS

Opportunities

The main advantage of NBFCs is getting access to a new set of customers and cheaper funding source. Co-lending is expected to create considerable amount of synergy for the sector.

There is still a large unbanked population in India who does not have access to formal banking channels. MSME contributes significantly to India's Gross Domestic Products (GDP) and this is a sector where there is huge potential for growth but limited access to funds from traditional banks and financial institutions. The Government of India has outlined a plan to increase the sector's GDP to 50% from 29% (FY19), in order to achieve the USD 5 trillion target that it has set for its' economy. NBFCs can play pivotal role in serving these areas by partnering with various players.

Threats

Currently the biggest threat is COVID 19 and its impact. It is expected that overall NBFC business will be severely affected which would result to the turning of Loan into NPA. Some part of Loan may turn into Bad debts due to non-payment of Loan by Loanee.

First half of FY 21 is expected to be very tough and the second half is expected to give some relief to the business and the society in general if all the countries specially India is able to control the COVID 19 Pandemic.

RISKS AND CONCERNS

Prime Capital Market Ltd. (PCML) has exposures in various line of business. PCML are exposed to specific risks that are particular to their respective businesses and the environments within which they operate, including market risk, competition risk, credit risk, liquidity and interest rate risk, human resource risk, operational risk, information security risks, regulatory risk and macro-economic risks. The level and degree of each risk varies depending upon the nature of activity undertaken by them.

MARKET RISK

The Company has quoted investments which are exposed to fluctuations in stock prices. PCML continuously monitors market exposure in equity and, in appropriate cases, also uses various derivative instruments as a hedging mechanism to limit volatility.

LIQUIDITY AND INTEREST RATE RISK

The Company is exposed to liquidity risk principally, because of lending and investment for periods which may differ from those of its funding sources. Management team actively manages asset liability positions in accordance with the overall guidelines laid down by various regulators. The Company may be impacted by volatility in interest rates in India which could cause its margins to decline and profitability to shrink. The success of the Company's business depends significantly on interest income from its operations. It is exposed to interest rate risk, both as a result of lending at fixed interest rates and for reset periods which may differ from those of its funding sources. Interest rates are highly sensitive to many factors beyond the Company's control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and, inflation. As a result, interest rates in India have historically experienced a relatively high degree of volatility.

The Company seeks to match its interest rate positions of assets and liabilities to minimize interest rate risk. However, there can be no assurance that significant interest rate movements will not have an adverse effect on its financial position.

HUMAN RESOURCE DEVELOPMENT

The Company recognizes that its success is deeply embedded in the success of its human capital. During 2019-2020, the Company continued to strengthen its HR processes in line with its objective of creating an inspired workforce. The employee engagement initiatives included placing greater emphasis on learning and development, launching leadership development programme, introducing internal communication, providing opportunities to staff to seek inspirational roles through internal job postings, streamlining the Performance Management System, making the compensation structure more competitive and streamlining the performance-link rewards and incentives.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The provision of the Companies Act, 2013 relating to CSR Initiatives are not applicable to the Company.

COMPLIANCE

The Compliance function of the Company is responsible for independently ensuring that operating and business units comply with regulatory and internal guidelines. The Compliance Department of the Company continues to play a pivotal role in ensuring implementation of compliance functions in accordance with the directives issued by regulators, the Company's Board of Directors and the Company's Compliance Policy. The Audit Committee of the Board reviews the performance of the Compliance Department and the status of compliance with regulatory/internal guidelines on a periodic basis.

The Company has complied with all requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years, except as stated herein below -

- Fine of Rs 2.24 Lakh (including Interest plus recovery cost) has been imposed on the Company and its Directors due to violation of Section 15 of SEBI Act, 1992 Read With Rule 5 of SEBI for non-disclosure of acquisition of Shares under SEBI SAST/PIT Regulations, by the Company in Blue Circle Services Ltd.
- The Company has not paid Annual Listing Fees for FY 2019-20 and thus the trading in the Shares of the Company has been moved to GSM Stage VI (Restricted trading).
- A Letter has been issued by BSE to comply with the related Provisions as well as to penalty for non-compliance of related Regulations for violation of Regulation 6 of SEBI LODR Regulations, 2015, Appointment of Company Secretary as Compliance Officer.

Kolkata, July 08, 2020

By order of the Board
For Prime Capital Market Limited

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Sushil Kumar Purohit
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Managing Director