

BOARDS' REPORT

Dear Members

Your Directors present the **Thirty Fifth Annual Report** of your Company together with the **Audited Financial Statements** of the Company for the Financial Year ended **March 31, 2020**.

1. Background

Your Company is registered with the Reserve Bank of India (RBI) as Non-Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC).

2. Financial Highlights

Particulars	Financial Year ended	
	March 31, 2020 (In Lakh)	March 31, 2019 (In Lakh)
Total Income	1310.75	421.03
Total Expenditure	1,045.31	326.85
Profit/(Loss) before tax	265.43	94.17
Profit/(Loss) after tax	191.60	69.71
Paid-up Share Capital	1473.85	1473.85
Reserves and Surplus	989.36	816.94

3. Operating Highlights

During the year under review, revenue from operation of the Company is Rs. 1310.75 Lakh as compared to Rs. 421.03 Lakh in the previous year. The Company earned a profit of Rs. 191.60 Lakh net of taxes as compared to Rs. 69.71 Lakh in the previous year. Your Directors are putting in their best efforts to improve the performance of the Company.

4. Company's Affairs

Your Company is engaged in the business of providing Secured and Unsecured Loans & Advances and also to make investment in both quoted and unquoted securities. The Company offers specialized solutions for meeting specific liquidity requirements with technical insights into Capital Markets.

5. Dividend

To maintain the liquidity of funds, your Board of Directors does not recommend any dividend for the Financial Year under review.

6. Share Capital

There is no change in the Share Capital of the Company during the Financial Year under review.

7. Fixed Deposits

The Company has not accepted any fixed deposit during the year under review as per the provision of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

8. Listing Agreement

Your Company is listed on BSE Limited and complied with all the requirements of Listing Agreement. Also, your Company has already paid listing fees for the Financial Year 2020-20 to the BSE Limited. The Company is also listed on Delhi Stock Exchange (Inoperative Stock Exchange).

9. Particulars of Loans, Guarantees or Investments Under Section 186

Your Company being a Non-Banking Financial Company (NBFC), the disclosure regarding particulars of loans made, guarantees given and securities provided in the ordinary course of its business is exempted as per the provisions of Section 186(11) of the Companies Act, 2013. Details of the investments made by the Company pursuant to the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to accounts forming part of the audited financial statements for the financial year ended March 31, 2020.

10. Adequacy of Internal Financial Controls

The Company has adequate system of internal control to safeguard and protect from loss, unauthorized use for disposition of its assets. All the transactions are probably authorized, recorded and reported to the Management. The Company is following all applicable Accounting Standards for properly maintaining the books of accounts and reporting financial statements. The Internal Auditor of the company checks and verifies internal control and monitors them in accordance with policy adopted by the Company. The Company continues to ensure proper and adequate systems and procedures commensurate with its size and nature of business.

11. Transfer to Reserves

The Company has transferred an amount of Rs. 38.32 Lakh to the Special Reserve u/s 45-IC of the RBI Act, 1934 out of current year's profits.

12. Directors

❖ Number of Meetings of the Board

During the year, 14 (Fourteen) Board Meetings were convened and held, details of which are provided in the Corporate Governance Report. The intervening gap between the Meetings was in compliance with the Companies Act, 2013.

❖ Policy on Directors' Appointment and Remuneration

The policy of the Company on Directors' Appointment and Remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Sub-section (3) of Section 178 of the companies Act, 2013, adopted by the Board, is placed on the website of the Company i.e. www.sonalmercantile.in. The web link of the policy is <http://www.sonalmercantile.in/investors-information.php>.

❖ Declaration by Independent Directors

All Independent Directors have given declarations under section 149(7) of the Companies Act, 2013 that, they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

❖ **Evaluation of the performance of the Board**

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the Annual Performance Evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. The criteria applied in the evaluation process are explained in the Corporate Governance Report.

The Independent Directors in their separate meeting has evaluated performance of Non-Independent Directors, performance of the Board as a whole and also performance of the Chairman of the Company.

❖ **Familiarization Programme for Independent Directors**

In compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has put in place a Familiarization Programme for its Independent Directors to familiarize them with their roles, rights and responsibilities as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The details of the Familiarization Programme are explained in the Corporate Governance Report. The same is also available on the website of the Company at www.sonalmercantile.in.

❖ **Inductions**

There is No Induction of directors during the year.

❖ **Retirement /Re-appointment**

In terms of Section 152 of the Companies Act, 2013, *Mr. Rajan Goyal (DIN: 02600825)* who retires by rotation at the ensuing AGM, being eligible offered himself for reappointment. His Brief Resume is mentioned in the annexure attached to the Notice.

❖ **Resignation**

During the year, Ms. Tanisha Bhagat resigned w.e.f 16.03.2020.

❖ **Disclosure of Relationships Between Directors Inter-Se**

Mr. Vikram Goyal and Mr. Rajan Goyal are directly related to each other. As they both are Brothers.

❖ **Key Managerial Personnel**

The details of Key Managerial Personnel (KMP) of the Company are:

S. No.	Name of Key Managerial Personnel	Designation	Appointment/Cessation
1.	Mr. Vikram Goyal	Whole Time Director	November 23, 2018
2.	Mr. Rohit Saraogi	Chief Financial Officer	May 22, 2018
3.	Mrs. Rachna Bhasin	Company Secretary	June 06, 2019 to January 04, 2019

13. Committees of the Board

Your Company has a duly constituted Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee and Risk Management Committee as per the provisions of Section 177, 178 of the Companies Act, 2013 and provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Board of

Directors has constituted such committees to enable the Board to deal with specific areas/activities that need a closer review and to have an appropriate structure to assist in the discharge of its responsibilities.

A detailed note on the Board and its committees is provided under the Corporate Governance report section in this Annual Report.

14. Subsidiary Companies/Associate Companies/Joint Ventures

The Company has One Associate Company i.e. M/s Rudraveerya Developers Limited.

15. Code of Conduct

Your Company has already in place a well framed Code of Conduct for carrying its day to day business operations of the Company. The Code lays down the standard procedure of business conduct which is expected to be followed by the directors and the employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. The detailed Code of Conduct can be referred from the website of the Company and the web link is <http://www.sonalmmercantile.in/investors-information.php>.

16. Details of Establishment of Vigil Mechanism/ Whistle Blower Policy For Directors And Employees

The Company has already in place a well framed Vigil Mechanism/ Whistle Blower Policy for Directors and Employees. The purpose of this policy is to provide a framework to promote responsible and secure whistle blowing. It protects employees willing to raise a concern about irregularities within the Company. The Company has also provided adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of employees and the Company. This policy is also placed on the website of the Company.

The link of the Vigil Mechanism is <http://www.sonalmmercantile.in/investors-information.php>.

17. Business Risk Management Policy

Pursuant to section 134(3)(n) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has constituted a Risk Management Committee. The details of the committee and its terms of reference are set out in the corporate governance report forming part of the Annual report. The Company has implemented Risk Management Policy and the Board of Directors has prepared a comprehensive framework of risk management for assessment of risks and to determine the responses to these risks so as to minimize their adverse impact on the organization.

The policy as approved by the Board of Directors is uploaded on Company's website at <http://www.sonalmmercantile.in/investors-information.php>.

18. Prevention of Insider Trading

The Company has already adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and certain designated employees of the Company. All Board Directors and the designated employees have confirmed compliance with the Code. The Code is uploaded on Company's website at <http://www.sonalmmercantile.in/investors-information.php>.

19. Auditors

❖ **Statutory Auditors**

The shareholders of the Company had appointed M/s V.N. Purohit & Co., Chartered Accountants, (ICAI Firm’s Registration No. 304040E) as Statutory Auditors for a period of three (3) years commencing from the Thirty Four AGM till the conclusion of the Thirty Seven (37th) AGM, subject to ratification by Members every year to conduct the Statutory Audit of the company.

❖ **Auditors’ Report**

The observations and Comments made by the Statutory Auditor in their Report read together with notes on the Financial Statements are self-explanatory and do not call for any further comments under Section 134 of the Companies Act, 2013.

❖ **Secretarial Auditor**

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors had appointed *Mr. Nitin Gupta (Practicing Company Secretary)* to undertake the Secretarial Audit of the Company for Financial Year 2019-20. There is no qualification, reservation or adverse remark made in his Secretarial Audit Report. The Audit Report is annexed herewith as “Annexure A”.

❖ **Reporting of frauds by Auditors**

There were no frauds reported by Auditors as per Section 134(3) and Section 143(12) of the Act.

20. Extract of Annual Return

In accordance with Section 92(3) of the Companies Act, 2013, the details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as “Annexure B”.

21. Corporate Social Responsibility

Pursuant to provision of Section 135 of the Companies Act, 2013, your Company does not fall within the criteria of turnover and/or/ profit and/or net worth, therefore, the Company has neither formed CSR Committee nor CSR Policy.

22. Prudential Norms & Directions of RBI for NBFCs

Your company has complied with all the requirements prescribed by the Reserve Bank of India and has filed the required returns.

23. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

- i. **Conservation of Energy & Technology Absorption:** The Company, being a Non-Banking Finance Company (NBFC), does not have any manufacturing activity. The directors, therefore, have nothing to report on ‘Conservation of Energy and Technology Absorption’.
- ii. **Foreign Exchange Earnings and Outgo:** The foreign exchange earnings and outgo are given below:

Particulars	2019-20 (Rs.)	2018-19 (Rs.)
Foreign Exchange Earnings	0	0

Foreign Exchange outgo	0	0
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24. Particulars of Employees

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, forms part of this report and annexed herewith as “Annexure C”.

25. Related Party Transactions

All the Related Party Transactions are entered into by the Company, at arm’s length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Company’s Policy on Related Party Transactions. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) (h) of the Companies Act, 2013 is mentioned in Form AOC-2. (“Annexure D”)

The policy on Related Party Transactions is displayed on the website of the Company and the web link is <http://www.sonalmercantile.in/investors-information.php>.

26. Sexual Harassment

The Company has in place a Prevention of Sexual Harassment Policy in line with the requirements of the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the Year 2019-20, no complaint was received by the Company related to sexual harassment.

27. Business Responsibility Report

Business Responsibility Report as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is not applicable to the Company.

28. Corporate Governance

The Company is committed to maintain the steady standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. A Report on Corporate Governance regarding compliance with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of the Annual Report and also a Certificate from the Practicing Company Secretary of the Company regarding compliance with the conditions of Corporate Governance forms a part of this Report.

29. Management’s Discussion and Analysis Report

Management’s Discussion and Analysis Report (MDAR) for the year under review, as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of the Annual Report.

30. Disclosures under the Act

❖ Significant and Material Orders

No significant and material order was passed against the Company by any regulator or court or tribunal impacting going concern status and company’s operations in future.

❖ Material changes and commitments affecting the financial position of the Company after the close of financial year

There are NO material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2020 and the date of the Boards' Report.

❖ Change in the Nature of Business

There is no change in the nature of the Business of the Company during the Financial Year.

31. Director's Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, the directors would like to state that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
- 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 at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The directors have prepared the annual accounts on a going concern basis.
- v. The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- vi. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

32. Compliance with the provisions of Secretarial Standard-1 and Secretarial Standard-2

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) and that such systems are adequate and operating effectively.

33. Acknowledgments and Appreciation

The Directors take this opportunity to thank the Company's customers, shareholders, investors, suppliers, bankers, financial institutions and Central & State Governments for their consistent support to the Company. The Directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

**For and on Behalf of the Board
Sonal Mercantile Limited**

**Date: September 19, 2020
Place: New Delhi**

**Vikram Goyal
Whole Time Director
DIN: [00381115](#)**

**Rajan Goyal
Director
DIN: [02600825](#)**