

DIRECTORS' REPORT

Dear Stakeholder(s)

Your Directors have pleasure in presenting the 25th Annual Report of the Company together with the Audited Statement of Accounts and Auditor's Report for the year ending 31st March, 2018.

COMPANY OVERVIEW

F MEC INTERNATIONAL FINANCIAL SERVICES LIMITED (CIN : L65100DL1993PLC053936) is a BSE Listed Company (Scrip Code : 539552) having Registered Office at **IInd Floor, Central Bank Building 13-B, Netaji Subhash Marg Daryaganj, New Delhi- 110002** working as a Non Banking Finance Company after registration with Reserve Bank of India.

The Company has obtained registration as a Non- Banking Financial Company ("NBFC") from Reserve Bank of India bearing Registration Number- **B-14.01129**.

FINANCIAL RESULTS

Due to changing Financial Market in the country and subsequent change in the policies of Reserve Bank of India related to Cash Reserve Ratio, Repo Rate, Reverse Repo Rate, the business of the Company affected badly and hinders the management to attain its pre-determined objectives. Profit for the year is Rs. 2,34,694 as compared to the Previous Year Profit i.e. Rs 2,56,784. The Financial Results of the Company for the year ended 31st March, 2018 are as follows:-

	(Rs.)	
Particulars	2017-2018	2016-2017
Gross Income	51,42,414	50,61,387
Profit before Interest and Depreciation	5,29,893	3,68,034
Less: Finance Charges	(1,434)	(898)
Gross Profit	5,28,459	3,67,136
Less: Provision for Depreciation	28,761	-
Net Profit Before Tax	4,99,698	3,67,136
Less: Current Tax	(1,25,577)	(110,352)
Less: Deferred Tax	(1,39,427)	-
Net Profit After Tax	234,694	256,784
Appropriations:		
Transfer to Special Reserves and Reserves for Bad and Doubtful Debts (As per RBI Act, 1934 - applicable for NBFC)	1,01,673	1,04,836
Proposed Dividend on Equity Shares	-	-
Tax on proposed Dividend	-	-
Earning per Equity Share (EPS)	0.0757	0.0828

CONSOLIDATED REVENUE

After adjusting the Revenue/ losses of the Subsidiary Company, the Company has attained the Net profit of Rs. 2,05,811 during the year. The detailed consolidated financials are as follows:-

	(Rs.)	
Particulars	2017-2018	2016-2017
Gross Income	51,42,414	50,61,387
Profit before Tax	4,70,815	3,20,961
Tax Expenses	2,65,004	1,10,352
Profit after Tax	2,05,811	2,10,609

The Consolidated Financial Statement have been prepared by the Company in accordance with the Companies Act, 2013 ("the Act") and Accounting Standard (AS)-21 on Consolidated Financial Statements and other applicable accounting standards. The audited Consolidated Financial Statements together with Auditor's Report form part of this Annual Report.

SHARE CAPITAL

The Authorised Share Capital of the Company as on 31st March 2018 was **Rs. 3,50,00,000 (Rupees Three Crore Fifty Lacs Only)** and Paid-up Equity Share Capital of the Company as on March 31st, 2018, was **Rs. 3,10,07,000 (Rupees Three Crore Ten Lacs and Seven Thousand Only)**. There was no change in the Authorised or the Paid-up Capital/Subscribed Capital during the Financial Year 2017-18.

a. Buy Back Of Securities

The Company has not bought back any of its securities during the year under review as per the provisions of Section 68 of the Companies Act, 2013 read with the Rule 17 of the Companies (Share Capital and Debenture) Rules, 2014.

b. Sweat Equity

The Company has not issued any Sweat Equity Shares during the year under review as per the provisions of Section 54 of the Companies Act, 2013 read with Rule 8 of the Companies (Share Capital and Debenture) Rules, 2014.

c. Bonus Shares

No Bonus Shares were issued during the year under review as per the provisions of Section 63 of the Companies Act, 2013 read with Rule 14 of the Companies (Share Capital and Debenture) Rules, 2014.

d. Employees Stock Option Plan

The Company has not provided any Stock Option Scheme to the employees pursuant to Section 62 (1) (b) of the Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014.

e. Shares With Differential Rights

The Company has not issue any Equity shares with Differential Rights pursuant to the provisions of Rule 4 of the Companies (Share Capital and Debenture) Rules, 2014.

RESERVES AND SURPLUS

As per Section 45- IC of the Reserve Bank of India Act, 1934 every Non -Banking Financial Company shall create a Reserve Fund and transfer therein a sum not less than 20% of its Net Profit every year before declaring any dividend.

The Company is in practice of transferring a sum of 20% to the Reserve fund specifically made for the purpose named '**Special Reserve as per RBI Act**' from the Profit earned by the Company during the year.

Also, the Company has pursuant to Notification of Reserve Bank of India dated January 17, 2011 vide Notification no. DNBS.PD.CC.No.207/03.02.002/2010-11 for making the 'Provision of 0.25% for Standard Assets of NBFCs' has transferred a sum of 0.25% on the Standard Assets of the Company under the Reserve named "Provision for Bad and Doubtful Debts".

Further the Company is complying with all the Reserve Bank of India Guidelines as issued from time to time related to provisioning and reserves.

DIVIDENDS

Considering the present conditions of business and growth stage of Company, the Board of Directors of the Company has decided not to recommend any dividend for the Financial Year 2017-18. The Management being optimistic about the return from business activities has proposed to plough back divisible profit into the main activities of the Company.

DEPOSITS

Every Non Banking Finance Company registered with the Reserve Bank of India has to comply with all the terms and conditions as stipulated by the Certificate of Registration with RBI.

F Mec International Financial Services Limited has been registered as a Non Banking Finance Company- Not accepting deposits. Hence, pursuant to Section 45- IA of the Reserve Bank of India Act 1934, the Company cannot accept deposits from public, in compliance of which the Company has not accepted any Deposits during the year. Further, the Directors of the Company assured to carry on the practice of not accepting the same in order to comply with RBI norms and guidelines in the coming year and the same has been proposed and passed in the meeting of Board of Directors dated 18th May, 2018.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

During the year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

MATERIAL CHANGES AND COMMITMENT, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

The Board of Directors of the Company, keeping in view your Company's business requirements and growth plans which commensurate with the Financials and risk taking capacity of the Company decided to borrow externally upon such terms and conditions as they deem fit and which is not prejudicial with the interest of other stakeholders of the Company, specifically the shareholders.

In view of the same, the Board of Directors were authorized by the members of the Company to borrow money upto a sum not exceeding INR 15 Crores (Rupees Fifteen Crores only) under the provisions of Section 180(1)(c) of the Companies Act, 2013 read with applicable rules of Companies (Meetings of the Board and its Powers) Rules, 2014.

Accordingly, the Board exercised its powers and borrowed money from Tata Capital Financial Services Limited as loan against shares within the borrowing limits approved by the members of the Company as stated above.

Apart from the above, no material changes and/or commitments affecting the Financial Position of the Company occurred between the end of the Financial Year to which these Financial Statements relate and the Date of issue of this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Appointment of New Directors on the Board of the Company

There was a change in the Management and Control of the Company during the FY 2017-18 pursuant to the takeover of the Company by the following promoters and Persons Acting in Concert ("PAC") with the Promoters after complying with the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and applicable Reserve Bank of India Guidelines:

New Promoters

- Mr. Pankaj Kumar and Mr. Manoj Kumar Jain

Persons Acting in Concert ("PAC") with the New Promoters

- Mrs. Lalita Bansal
- Mr. Apoorve Bansal
- Ms. Megha Bansal
- Pankaj Kumar Bansal (HUF)
- Mrs. Niraj Jain
- Ms. Mahima Jain
- M K Jain (HUF)

Pursuant to the Change in Control of the Company as stated above, the following New Directors were appointed at on the Board of the Company in the Meeting of the Board of Directors held on 15th January, 2018:

1. **Mr. Apoorve Bansal (DIN: 08052540)** as **Additional Executive Director** and **Managing Director** of the Company proposed to be regularized in the ensuing Annual General Meeting.
2. **Mr. Vishal Babbar (DIN: 07772465)** as **Additional Executive Director** of the Company proposed to be regularized in the ensuing Annual General Meeting.
3. **Mr. Awanish Srivastava (DIN: 07810744)** as **Additional Non-Executive Independent Director** of the Company proposed to be regularized in the ensuing Annual General Meeting.
4. Further, to ensure proper Composition of the Board in compliance with Section 149 of the Companies Act, 2013 read with Rule 3(1) of Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 17(1) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, **Mrs. Richa Choudhary (Din: 0813225)** was duly appointed as **Additional Non-Executive Independent Women Director** in the Executive Committee Meeting of the Company held on **12th May, 2018** and duly taken note in the meeting of Board of Directors of the Company held on **18th May, 2018** and proposed to be regularized in the ensuing Annual General Meeting.

Pursuant to provisions of the Companies Act, 2013, **Mr. Apoorve Bansal (DIN: 08052540)**, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment. The Board recommends his re-appointment.

B. Change in Key Managerial Personnel of the Company

Ms. Richa Agarwal (Mem No : 46725) resigned from the post of Company Secretary and Compliance Officer of the Company w.e.f. **9th December, 2017** and in her place **Ms. Radhika Kathuria (Mem No : 53515)** was appointed as the New Company Secretary and Compliance Officer of the Company w.e.f. **11th January, 2018**.

The Board took note of the above resignation and appointment in the meeting of the Board of Directors of the Company held on **15th January, 2018**

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all Independent Directors of the Company confirming that they meet the criteria of Independence, as prescribed under Section 149 of the Companies Act, 2013 and regulation 25 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Independent Directors have also confirmed that they have complied with the Code of Conduct for Independent Directors as prescribed under Schedule IV of the Companies Act, 2013.

BOARD DIVERSITY, THEIR APPOINTMENT AND REMUNERATION

The Company's Board of Directors constitute of Five Directors comprising of Two Executive Directors and Three Non-Executive Independent Directors. Appointment of Independent Directors of the Company shall be governed by the Code of Independent Director and Appointment of Non Independent Directors of the Company shall be governed by the Policy of Nomination and Remuneration of the Company. The detailed policy on appointment of Directors is available on the Company's website at www.fmecinternational.com.

ANNUAL BOARD EVALUATION AND FAMILIARISATION PROGRAMME FOR BOARD MEMBERS

A note on familiarization program adopted by the Company for orientation and training of its Directors and Board Evaluation Process undertaken in compliance with the provisions of the Companies Act, 2013 and the same forms part of the Corporate Governance, which forms part of this Report.

The Report generated after evaluation of the Board will be considered by the Board for the purpose of optimizing their effectiveness.

COMMITTEES OF BOARD, NUMBER OF MEETINGS OF BOARD AND BOARD COMMITTEES

The Board of Directors met **Four (4) times** during the year. The Company has Four Committees out of its Board namely **Executive Committee, Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee.**

A detailed update on the Board, its composition, detailed charter including terms and reference of various Board Committees, number of Board and Committee meetings held during FY 2017-18 and attendance of the Directors at each meeting is provided in the Report on Corporate Governance, which forms part of this Report.

SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

As on 31st March, 2018 the Company neither has any Associate Company nor any Joint Venture Company. **YDS Securities Private Limited continues to be the Subsidiary of the Company.**

Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, Consolidated Financial Statements of the Company has been annexed to the Annual Report which reflects the Performance and Financial Position of the Subsidiary.

The Audited Financial Statements of its Subsidiary Company is available for inspection at the Company's Registered Office and also at Registered Office of the Subsidiary Company pursuant to the provisions of Section 136 of the Companies Act, 2013. The Financial Statements of its Subsidiary Companies are also available on the Company's website www.fmecinternational.com. Copies of the Annual Accounts of the Subsidiary Company will also be made available to the investors of F Mec International Financial Services Limited and those of the respective companies upon request.

The Details of Subsidiary Company as required to be disclosed under the provisions of Section 129(2) of the Companies Act, 2013 in form AOC-1 is provided and forms a part of the Annual Report as **Annexure-V.**

AUDITORS AND AUDITORS' REPORT***Statutory Auditors***

M/s Sanjay K Singhal & Co., Chartered Accountants, Auditors of the Company were appointed as Statutory Auditors in the Annual General Meeting held on **27th September, 2015** for a period of five consecutive years to hold office upto the conclusion of the Annual General Meeting to be held in the year **2020**. However, the requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual General meeting as required pursuant to the provisions of Section 139(1) of the Companies Act, 2013 is done away with vide Notification dated **7th May, 2018** issued by the Ministry of Corporate Affairs (MCA), New Delhi. Accordingly, no resolution is proposed for ratification of appointment of Auditors in the Annual General Meeting of the Company to be held in the year 2018.

The Notes on Financial Statements referred to in the Auditors' Report are self explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Secretarial Auditor and Secretarial Audit Report

M/s A.K. Verma & Co, Practicing Company Secretaries (Registration No., Unique Code- S1997DE019500) was appointed to conduct the Secretarial Audit of the Company for the Financial Year 2017-2018, as required under Section 204 of the Companies Act, 2013 and rules framed there under. The Secretarial Audit Report for the Financial Year 2017-2018 forms part of the Annual Report as **Annexure VI** to the Board's report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Board has re-appointed M/s A.K. Verma & Co, Practicing Company Secretaries, as the Secretarial Auditor of the Company for the Financial Year 2018-2019.

CORPORATE SOCIAL RESPONSIBILITY

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions of Section 135 of the Companies Act, 2013 are not applicable to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Regulation 34 of the SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015 in respect of Management Discussion and Analysis Report for the year under review is presented in a Separate section, forming part of the Annual Report as Annexure- III

CORPORATE GOVERNANCE

A detailed report on Corporate Governance pursuant to Regulation 34 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 forms part of the Annual Report as *Annexure-I*. As per the provisions of Regulation 15(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015, provision of Regulation 27 is applicable to the Companies having paid up equity share capital exceeding Rs. 10 Crore and Net Worth exceeding Rs. 25 Crore, as on the last day of the previous financial year. The Company is not covered under any of the Criterion mentioned above so it is not mandatory for the Company to comply the Provisions of the Regulation 27 of the SEBI (LODR) Regulations, 2015. So the Company is not required to file Corporate Governance Certificate to the Stock Exchange on Quarterly Basis.

RISK MANAGEMENT

During the year, the Board of Directors developed and implemented an appropriate risk management policy which is entrusted with the responsibility to assist the Board in overseeing and approving the Company's enterprise wide risk management framework and overseeing all the risks that the organization faces, identifying the element of risk which, in the opinion of the Board may threaten the existence of the Company and safeguarding the Company against those risks.

INTERNAL FINANCIAL CONTROL SYSTEM

The Company has an Internal Financial Control System, commensurate with the size, scale and complexity of its operations.

VIGIL MECHANISM

The Vigil Mechanism of the Company pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013 which also incorporates a Whistle Blower Policy in term of provisions of Regulation 22(1) of the SEBI (LODR) Regulations, 2015 for the year ended March 31st, 2018 (as per their applicability) includes an Ethics & Compliance Task Force comprising Senior Executives of the Company. Protected disclosures can be made by a whistle blower through an e-mail or dedicated telephone line or a letter to the Task Force or to the Chairman of the Audit Committee i.e Mr. Awanish Srivastava either personally or through e-mail at fmecinternational@gmail.com or call at 011-43680407.

PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Board has made a Committee of Board presided by Mrs. Richa Choudhary, Director of the Company for the purpose of prevention of Sexual Harassment of Women at workplace. Every individual has right to treat his/her colleagues with respect and dignity. This is enshrined in values and in the code of Ethics & Conduct of the Company. The Company has in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 made various provisions to safeguard the interest of the female employees (whether permanent, contractual, temporary and trainees) under this policy. The policy governs the misconduct with respect to discrimination or sexual harassment.

Further, the Company has complied with the provisions regarding the constitution of Internal Complaints Committee under the Sexual Harassment of Women as Workplace (Prevention, Prohibition and Redressal) Act, 2013 as required to be disclosed under Clause (x) of sub-rule 5 of Rule 8 of the Companies (Accounts) Rules, 2014 (*inserted by MCA Notification dated 31.07.2018*).

EXTRACT OF ANNUAL RETURN

As required under section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT-9 is annexed as a part of this Annual Report as **Annexure II**.

LOANS, GUARANTEE AND INVESTMENT

The particulars of Loans given, Investments made and Guarantee given by Company under Section 186 of the Companies Act, 2013 is annexed as **Annexure IV**.

PARTICULARS OF RELATED PARTY TRANSACTION

There were no contracts or arrangements entered into by the Company in accordance with provisions of section 188 of the Companies Act, 2013. Further, all The Related Party Transactions in terms of the Provisions of Companies Act 2013 were entered in the ordinary course of business during the Financial Year 2017-2018 and were also at arm's length basis. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other Designated Person which may have a potential conflict with the interest of Company at large.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under the provisions of Section 134(3)(m) of the Companies Act, 2013 in respect of Conservation of Energy and Technology Absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review. Further during the year under review, the Company has neither earned nor used any foreign exchange.

DISCLOSURE REGARDING MAINTENANCE OF COST RECORDS

Since the Company is engaged in the business of Non- Banking Financial Company, therefore the provisions of Section 148 of the Companies Act, 2013 regarding maintenance of Cost Records and Cost Audit is not applicable to the Company as required to be disclosed under Clause (ix) of sub-rule 5 of Rule 8 of the Companies (Accounts) Rules, 2014 (**inserted by MCA Notification dated 31.07.2018**).

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Companies Act, 2013, the Directors of the Company hereby state that:

- i. In the preparation of the annual accounts for the year ended 31st March 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. The Directors had 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 and Loss of the Company for that period.
- iii. The Directors had 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 had 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 ;and
- vi. The Directors had devised proper system to ensure compliance with the provisions of all applicable laws and such system were adequate and operating effectively.

ACKNOWLEDGEMENT

The Board expresses their gratitude to its all stakeholder's i.e. members, customers, Government agencies and their departments, Bankers of the Company for their continued support and faith. The Director places on record their sincere appreciation to all the employees of the Company for their contribution in the growth of the Company.

Place : New Delhi

Apoorve Bansal

Vishal Babbar

Date : 10.08.2018

Managing Director

Director

DIN : 08052540

DIN : 07772465

ANNEXURE TO DIRECTORS REPORT

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VII	Annual Evaluation of Board