

Annexure- III**THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT (“MDAR”)****1. INDUSTRY STRUCTURE AND DEVELOPMENT**

Indian economy is going through a period of rapid ‘financial liberalization’. Today, the ‘intermediation’ is being conducted by a wide range of financial institutions through a plethora of customer friendly financial products. The segment consisting of NBFCs, such as equipment leasing/hire purchase finance, loan and investment companies, etc. have made great strides in recent years and are meeting the diverse financial needs of the economy. These NBFCs provide a variety of services including fund-based and fee-based activities and cater to retail and non-retail markets and niche segments. They are being recognized as complementary to the banking sector due to their customer-oriented services, simplified procedures, flexibility and timeliness in meeting the credit needs of specified sectors.

2. OPPORTUNITIES AND THREATS

The NBFC sector in India is large with significant growth potential and has consistently created value for its shareholders. The NBFC sector has a double digit credit market share and has consistently gained market share from banks over the last 10 years. The growth in the sector appears sustainable as India has a low GDP to credit penetration. Further, many structural factors are supportive of NBFC growth namely weak banks, initiatives of the Reserve Bank of India (“RBI”) on policy alignment and latent credit demand in certain segments not catered to by banks. The sector has been delivering on average, approximately 1.5% to 2% better ROEs, as compared to select banks over the last many years. In order for the sector to sustain its advantages, companies in the sector need to grow in a prudent manner while focusing on automation, financial innovation, analytics, digital and adequate risk management systems and procedures.

The RBI constantly issues new regulations and / or modifies existing regulations endeavouring to balance the multiple objectives of financial stability, consumer and depositor protection and regulatory arbitrage concerns. The RBI, however, implements major changes in a structured manner providing companies operating in the sector adequate time to adapt and adjust.

The long term outlook for the NBFC Sector remains positively backed by the lower credit penetration and huge capital formation requirement of the Country. However in the short term the sector may find the macro – economic environment challenging for growing quality book on account of overall bearish sentiments, volatile stock market and high interest rates.

3. FINANCIAL & BUSINESS REVIEW

F MEC INTERNATIONAL FINANCIAL SERVICES LIMITED is currently engaged in NBFC activities & Financial Management and Advisory Services. The Company intends to continue focusing on NBFC activities including financing, Inter- corporate Investments & Capital Market activities.

Due to limited resources, company is unable to achieve the growth in the last years but New Management of the Company is very hopeful to achieve standards of growth in the near future. The main revenue of the Company is earned from the Interest Income and Commission Income.

New Management of the Company is very hopeful to bring higher operating efficiencies within the Company based on the understanding and strength of superior Knowledge of local market and efficient and Conservative approach.

4. FUTURE OUTLOOK

In the upcoming years Company will strive to achieve high revenue by way of providing financial services businesses in India focused on delivering superior customer experience through class leading services and good returns to the Company’s shareholders at the same time maintaining the high levels of integrity.

5. KEY PERFORMANCE DRIVERS AND CAPABILITIES

The Company’s long term aspiration is to play a significant role in meeting the financial requirements of retail customers as well as corporate clients. To carry out its long term goal and achieve its financial activities, the Company has formed some strategies.

6. ADEQUACY OF INTERNAL CONTROL

The Company has a proper and adequate system of internal control in all spheres of its activities to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported diligently.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

7. RISKS & CONCERNS

Being a Financial company, it is exposed to specific risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit risk and market risk. The most important among them are credit risk, market risk and operational risk. The measurement, monitoring management of risk remains key focus areas for the Company.

The Company has a Board approved Risk Management framework. The framework comprises of implementation of Risk Management Policy 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.

8. HR & INFRASTRUCTURE DEVELOPMENT

The Company has a team of able and experienced industry professionals and employees.

9. RESPONSIBILITY FOR THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Board of Directors have reviewed the Management Discussion and Analysis prepared by the Management, and the Independent Auditors have noted its contents. Statement in this report of the Company's objective, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. The statements may be subjected to certain risks and uncertainties. Company's operations are affected by many external and internal factors which are beyond the control of the management. Thus the actual situation may differ from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.