

**MANAGEMENT DISCUSSION AND ANALYSIS****FORWARD LOOKING STATEMENTS**

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised.

**MACROECONOMIC OVERVIEW****Indian Economic Environment**

The new government presented the Budget for the FY2018-19 which focussed on growth, weaker sections and social security and at the same time, fiscal responsibility was maintained. A bulk of the Budget spending was directed towards infrastructure rather than consumption and subsidies and, as a result, the quality of the deficit has improved too. During the year, the government also tried to give a fillip to MSME sector, which contributes to 37.5% of the country's GDP, through various programmes, including the Prime Minister's Employment Generation Programme, Micro and Small Enterprises-Cluster Development Programme, Credit Guarantee Fund Scheme for Micro and Small Enterprises, Performance and Credit Rating Scheme, Assistance to Training Institutions, and Scheme of Fund for Regeneration of Traditional Industries, amongst others. The Economic Survey acknowledged that these 36.1 million entities have a critical role in boosting industrial growth and ensuring the success of the 'Make in India' programme. During FY14, the GDP growth was well below 5% and has shown recovery from the first quarter of FY 2017 where the GDP growth rate moved to 7.1%. The World Bank has estimated that the GDP growth for India for the year FY2017-18 would be around 7.6%, as per the new series of calculating GDP (part GDP data not comparable).

**INFLATION AND INTEREST RATE**

On the monetary front, the RBI kept policy rates unchanged until December 2014, despite easing in inflationary trends. The central bank later cut repo rates bringing it down to 6.00% and signalling a softening in its monetary policy stance. Despite this initiation of monetary easing, the real impact will be seen over the next 12 months as it translates into lower interest rates. The RBI clarified that the major determinants of further rate cuts would be the transmission of the rate reductions and food inflation. Nevertheless, interest rates are bound to continue to trend downwards as inflation has come down significantly and steadily and the CAD, fiscal deficit and oil are under control.

**ABOUT MEGA FIN LIMITED**

Mega Fin (India) Limited (MFIL) is a part of the India's leading private sector financial services companies, MFIL the Shares of the Company are listed on Bombay Stock Exchange (BSE) The Company is a core investment Company & has interests in financing and advancing short term and long term loans and credits to individuals, companies or association of individuals, companies or association of individuals by whatever name called,; merchant banking; commercial financing; stock broking; other activities in financial services.



**❖ Risks and Concerns**

MFIL is exposed to specific risks that are particular to its businesses and the environment within which it operates, including market risk, credit risk, operational risk, competition risk, liquidity and interest rate risk, regulatory risk, human resource risk, execution risk, information security risks and macro-economic risks.

**❖ Market risk**

The Company has some quoted investments which are exposed to fluctuations in stock prices. Similarly company has also raised resources through issue of Market Linked Debentures, whose returns are linked to relevant underlying market instruments / indices. MFIL continuously monitors market exposure for both equity and debt and, in appropriate cases, also uses various derivative instruments as a hedging mechanism to limit volatility.

**❖ Competition risk**

The financial sector industry is becoming increasingly competitive and the Company's growth will depend on its ability to compete effectively. The Company's main competitors are Indian non-banking financial companies, commercial banks, life and non-life insurance companies, both in the public and private sector, mutual funds, broking houses, mortgage lenders, depository participants and other financial services providers. Foreign banks also operate in India through non-banking finance companies. Further liberalisation of the Indian financial sector could lead to a greater presence or entry of new foreign banks and financial services companies offering a wider range of products and services. This could significantly toughen our competitive environment. The Company's strong brand image, wide distribution network, diversified product offering and depth of management place it in a strong position to deal with competition effectively.

**❖ Interest rate volatility:**

Fluctuations in interest rates could adversely affect borrowing costs, interest income and net interest margins of companies in the financial sector. Being well funded with a strong shareholder base, MFIL is trying to tide over such spells.

❖ **Internal Control Systems**

The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls, and compliance with applicable laws and regulations.

The organization is well structured and the policy guidelines are well documented with pre-defined authority. The Company has also implemented suitable controls to ensure that all resources are utilised optimally, financial transactions are reported with accuracy and there is strict adherence to applicable laws and regulations.

❖ **Opportunities**

- Low retail penetration of financial services / products in India
- Tremendous brand strength and extensive distribution reach
- Opening of the financial sector in India in near future
- Opportunity to cross sell services
- Increasing per-capita GDP
- Changing demographic profile of the country in favour of the young

❖ **Threats**

- Inflationary pressures and slowdown in policy making
- Competition from local and multinational players
- Execution risk
- Regulatory changes
- Attraction and retention of human capital

**CAUTIONARY STATEMENT**

*Statements made in this Management Discussion and Analysis Report may contain certain forward-looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the Company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and the Company does not*

*undertake any obligation to update these statements. The Company has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.*

