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**MANAGEMENT DISCUSSION AND ANALYSIS**

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**1. GLOBAL ECONOMIC OVERVIEW**

The global economy strengthened during 2017 to reach a growth rate of 3.8%, the fastest since 2011, aided by a growing momentum of global trade and investments. The US, Japan, China, and the Euro zone grew faster than expected. There is an improvement in consumer and business confidence in developed economies as well as large developing nations. Investments have picked up, and leading economies are also witnessing a sustained improvement in employment rates. In 2018, the global economic expansion is expected to continue and grow stronger.

However, looking forward, gradual withdrawal of fiscal accommodation will start to affect the growth rates in the US and China. Commodity-exporting economies are also expected to lag the global growth. On the other hand, withdrawal of fiscal austerity measures in Europe will help spur investments and employment. The risk to global economic growth comes from gradually increasing inflation, increase in petroleum prices, trade wars, and geopolitical imbalances. Interest rates are starting to rise following a move towards normalisation, which will increase stress for highly indebted countries as well as highly leveraged firms. Recent strengthening of economic growth in China, with improved mining and manufacturing activity, along with improved consumer spending, will have an impact on global commodity and energy prices. (Source: World Bank: ECB)

**2. INDIAN ECONOMY**

The Indian economy is the fastest growing large economy globally as of March 2018. It has been going through historic and transformative changes in the last two years, notably in the form of the Goods and Service Tax (GST), the new indirect tax regime. GST brought along with it a major shift from unorganized sector to organization of various industries, and along with the dramatic step of demonetization taken at the end of 2016, is expected to enforce better tax compliance and improve the Tax to GDP ratio, which has been much lower as compared to other developing as well as advanced economies.

The introduction of these policy disruptions had a negative but transient impact on economic growth, with the GDP growing at a more tepid 6.7% during FY 2017-18, as compared to 7.1% in FY 2016-17. Coupled with a low inflation regime, nominal government revenue growth was less than ideal. An increase in government spending along with a shortfall in government revenue led to an increase in fiscal deficit at 3.5% of GDP as against the initial estimate of 3.2% of GDP.

While the unorganized sector and employment created by it were adversely affected by the introduction of GST, the Government's continued spending, especially on infrastructure, has supported demand and helped it to pick up in the second half of FY 2017-18. The strong GDP growth of 7.7% witnessed in the last quarter of FY 2017-18 demonstrates the economy's resilience and provides strong evidence that the reform measures have taken root and have started to support economic growth. Gross Fixed Capital Formation has also improved, along with a sustained improvement in capital goods production and a fledgling revival in construction. At the same time, exports have failed to pick up even as imports have accelerated, leading to a deterioration of trade balance.

The manufacturing sector has seen a revival from the second half of FY 2017-18, and business sentiment has improved on the back of increasing output and new orders. India's foreign exchange reserves reached a new high during the year at \$422.5 billion. (Source: Economic Survey 2017-18; RBI; Economic Times)

**3. BUSINESS OVERVIEW**

Your company is in the business of High Pressure Laminate (H.P.L) Sheets & Compacts. Alfa ranges are available in several Colours, Designs and Textures consisting of more than 400 design decors and more than 50 textures. With more decors and more finishes, our innovation brings you beautiful, high quality environmental friendly decorative solutions.

Alfa High Pressure Laminates are recognized and appreciated by architects, interiors and fitters. We confirm all our produce is as per strict requirements of EN 438 (European Standard). To ensure European quality, all decorative papers are sourced from world's best European printers.

Alfa Laminate sheets are used for various applications in many areas such as Furniture Covering, Wall Paneling, Partitions, Door Covering, Shower Panels, Interior Wall Paneling, Exterior Wall Cladding, Green Chalk Board, White Marker Board, Kitchen Top and Backsplash, Table Top and many other areas.

Your company assures highest commitment of consistent innovation by introduction of new designs as well as finishes to feed the creative mind of interior decorators and furniture designers. The company's philosophy is to attain transparency and accountability in its relationship with all its stakeholders, ensuring a high degree of regulatory compliance.

**4. DISCUSSION ON COMPANY'S PERFORMANCE**

Your Company continues to sustain with its overall performance in the financial year 2017-18 driven by the average performance in existing business. Currently the Company is running well in decorative laminates segment. Your Directors have been making efforts on all fronts viz. production, marketing, finance and cost control etc. and these efforts have been yielding good results. The outlook for the company's products appears to be good and the company is confident of achieving improved operational performance.

The Profit before Tax amounted to ₹15,957,324 as against ₹14,538,843 in the previous year. The net profit after tax was ₹11,778,840 as against ₹9,650,920 in the previous year.

Your company has continued to put in all possible efforts to boost exports, during the year under review achieved Export sales of ₹454,608,223.

#### 5. INTERNAL CONTROL SYSTEM

The Company has in place robust internal control procedures commensurate with its size and operations. Company has the internal controls Department headed by Internal Auditor of the company. The Board of Directors is also responsible for the internal control system, sets the guidelines, verifying its adequacy, effectiveness and application. The Company's internal control system is designed to ensure management efficiency, measurability and verifiability, reliability of accounting and management information, compliance with all applicable laws and regulations, and the protection of the Company's assets so that the company's main risks (operational, compliance-related, economic and financial) are properly identified and managed over time.

#### 6. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Company maintained healthy, cordial and harmonious industrial relations at all levels. The Board of Directors and management wish to place on record their appreciation of the efforts put in by all employees to achieve good performance.

Some of the company's core developments on the HR front and imitative planned during the year under review included the following:

- Standardized recruitment through creating robust systems and processes to ensure that only those qualified whose skill sets matched with the requirements;
- Focused on training to establish a professional e-learning module
- Focus on capabilities enhancement through structure interventions, both on functional and behavioral side
- With a view to professionalise payroll, to outsource the service to ensure that all statutory and regulatory compliances are met to the highest level

There was not any case pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was reported during the year.

#### 7. RISK MANAGEMENT

Your Company has adopted a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks elements associated with the businesses and functions of the Company have been identified and will be systematically addressed through mitigating actions on a continuing basis. These are already discussed at the meetings of the Audit Committee and the Board of Directors of the Company. Risk Management forms an integral part of the Company's planning process. There are no risks, which in the opinion of the Board threaten the existence of your Company.

#### 8. FUTURE OUTLOOK

Exports shall remain the core growth area and a lot depends on overseas economic recovery. In the domestic sector, the outlook seems to be stable in long term, with the economy expected to perform better in the years to come. Though inflation is a worry which may dampen real spends in the economy, but an emphasis on infrastructure and housing shall push the demand for company's products.

#### 9. SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

The Company is engaged primarily in manufacturing of Laminated Sheets and there are no separate reportable segments.

#### 10. CAUTIONARY STATEMENT:

Certain statements in this Annual Report more particularly in the Management Discussion and Analysis Report describing the Company's strength, strategies, objectives, predictions, expectations and estimates may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include global and domestic financial market conditions affecting the interest rates, availability of resources for the financial sector, market for lending, changes in regulatory directions issued by the Government, tax laws, economic situation affecting demand / supply, price conditions in the domestic markets in which Company operates, significant changes in political and economic environment in India, applicable statutes, litigations, labour relations that may impact the Company's business as well as its ability to implement its strategies. Further, market data and product information contained in this Report are based on information gathered from various published and unpublished reports, and their accuracy, reliability and completeness cannot be assured. The Company does not undertake to update these statements.