

Annexure - 7

MANAGEMENT DISCUSSION AND ANALYSIS

Global Economy

The COVID-19 pandemic has affected the already fragile global economy to a large extent. The global economy contracted by 3.3% in year 2020, advanced economies contracted 4.7%, whereas the emerging economies and developing markets contracted by 2.2%. Meanwhile, China is witnessing growth led by the industrial sector and strong exports, the recovery gradually broadening to the service sector and consumer demand as well.

A series of strict government lockdowns brought things to a standstill, disrupting supply chains to movement-limiting restrictions handicapping small businesses

It was also observed that consumer prices in emerging economies increased by 5.1% whereas they were stable in the advanced economies. Moreover, global manufacturing contracted sharply in mid-2020 however, sharply recovered in the latter part of the year.

The global economy is expected to see rebound in 2021 as the International Monetary Fund (IMF) now expects global contraction in 2020 at -3.3%, compared to April 2020 forecasts of -5.2% contraction. Additionally, with progress in vaccinations across the world and significant part of stimulus persisting, the outlook of global economy in 2021 looks positive.

Growth in the advanced economies is expected at 5.1% in CY 2021, whereas that in the Emerging Markets & Developing Economies is expected to be 6.7%. The key driver of this recovery will be a revival of domestic consumption.

India Economy

The Indian economy contracted by 7.5% in Financial Year (FY) 2020-21. The first year of contraction since 1980. India's economic decline was sharper than other key economies due to strict and early lockdowns to control the spread of COVID-19. However, growth has continued to recover and was back in positive territory (+0.4%) in 3Q FY 2021 after a decline of 24.4% and 7.3% respectively in 1Q FY 2021 and 2Q FY 2021. India saw a V-shaped recovery as most consumption and industrial indicators were back in positive growth territory in the September – December quarter after being in deep negative in the June quarter. Auto sales rebounded from August 2020 onwards and both two-wheeler and passenger vehicle sales growth has been positive since then. Travel indicators have remained weak – air traffic still at -37% y-o-y in March 2021 and rail traffic also weak at -28% y-o-y. Among other industrial indicators, electricity demand growth is now positive and GST collections have remained above INR 1 trillion mark.

The external sector exhibited resilience as current account turned surplus for the first time since 2004, on weaker domestic demand, falling oil prices and strength in India's service exports. FDI and equity FII flows were strong, driving India's forex reserves to all-time high of

US\$580 billion by the end of FY 2020-21, against US\$ 475 billion by the end of FY 2019.20.

The Reserve Bank of India (RBI) and the central and state governments provided critical support to the economy during the crisis. The RBI maintained loose monetary policy, cutting repo rates by 115 bps during early CY 2020. To keep funding markets easy, the RBI maintained liquidity surplus through various monetary measures.

Industry Overview

India is the world's second-largest producer of textiles and garments. It is also the fifth-largest exporter of textiles spanning apparel, home and technical products. The textiles and apparel industry contributes 2.3% to the country's GDP, 13% to industrial production and 12% to exports. India is working on major initiatives to boost its technical textile industry. Owing to the pandemic, the demand for technical textiles in the form of PPE suits and equipment is on the rise. The government is supporting the sector through funding and machinery sponsoring.

Under Union Budget 2020 -21, a National Technical Textiles Mission is proposed for a period from 2020-21 to 2023-24 at an estimated outlay of Rs. 1,480 crore (US \$ 211 .76 million). Government is taking various steps to support textile industry which includes recent announcement of Production -linked Incentive (PLI) Scheme worth INR 10 ,683 crore (US\$ 1.44 billion) for manmade fibre and technical textiles over a five -year period.

Increased awareness of goods, higher disposable incomes, changing customer patterns and some sector-specific growth drivers are estimated to bolster the Indian technical textiles market to US\$ 23.3 billion in 2027, up from US\$ 14 billion in 2020 in Asia-Pacific. The technical textiles market for automotive textiles is projected to increase to US\$ 3.7 billion by 2027, from US\$ 2.4 billion in 2020. Similarly, the industrial textiles market is likely to increase at an 8% CAGR from US\$ 2 billion in 2020 to US\$ 3.3 billion in 2027.

Company Overview

Gopala Polyplast Limited is into technical textile business for more than 30 years. Its product portfolio includes Woven Sacks, Woven Fabric, A D Star Bags and woven label. Due to financial crisis and default of bank debts and operational creditors, it went under CIRP process under IBC Law.

In August 2020, Hon'ble National Company Law Tribunal, Ahmedabad passed an order approving resolution plan submitted by Plastene India Limited led by Mr. Prakash Parekh and family having an experience of more than 15 years in technical textile and packaging industry.

Business Overview

Operations of your company were remained shut for considerable period during Financial Year 2021 as the company was under CIRP



process. New management took over the management of company in October, 2020 and took all the necessary steps including start up capex to start the operation of the plant and production was started in November-2020. Accordingly, the company was in operation for four months. Capacity utilizations were at low level as it takes time to stabilize the machine and get the desired quality of product.

Management will consider various opportunities for growth of the business of the company both by means of organic and inorganic growth. For this, we will analyse all the opportunities of investment in companies having similar line of activities.

Segmental Review

Polypropylene Woven Sacks and Fabrics

90% of the revenue of your Company came from this division. India continues to gain traction as a major supplier of woven sacks and fabrics in the domestic and international market. We see healthy growth in woven sacks industry as the demand in Cement, Fertilize, Sugar will remain robust going ahead.

Opportunity

Diversify revenue stream by exploring new geographies utilizing the existing strong customer relationships of the new management

Growth and increase in demand in fertilizer industry as well as recovery in construction industry resulted in improved demand scenario for small bags and AD Star Bag.

New management with experience of more than two decades will accelerate improvement in operational efficiency.

Threats

Global Trade war can pose a challenge to international trade impacting the Company's performance.

Competition from new players within the Country.

Volatility in crude oil prices which can affect raw material prices. However, this can be mitigated by passing on same to customer as per our sales strategy.

Generic threat of economic slowdown.

Risk and Concerns

Although the company resumed its operations in last week of November 2020 only, still looking forward to its expansion and resumption plans, the Company adopted and followed the risk management plan where in the management keeps an eagle eye view on the markets, both domestic and foreign, related to the products, the Company manufactures, and the raw materials required. The management also monitors the socio-economic changes worldwide and the changes in the currency fluctuation to minimize the risks.

There are no risks which in the opinion of the Board are of the nature that can threaten the existence of the Company. However, the risks inter-se that are generally dealt in regular course of business and have to be taken care of, are economic risk, technology risk, fluctuations in foreign exchange rates & raw material prices and competition risk.

The Company regularly monitors these and mitigate the same with a proactive approach. An additional risk arising out of the COVID 19 pandemic cannot be ruled out which may lead to a possible future lockdown or temporary closure.

Financial Performance

Your company was into operation for four months during Financial year 202-2021 as the company was under CIRP and new management took charge in Oct-2020. Given below is the broad financial performance for FY 21. Since company was not having any operation during FY 20, we are not giving any comparable data.

Particulars	₹ in Lakhs	
	Financial Year	
Income (including other income)	1611.47	
Total Expenses other than Finance Cost and Depreciation	2600.57	
Profit for the year before Exceptional Items and Tax	(989.10)	
Exceptional Items	(5342.03)	
Profit for the year before Tax	4352.93	
Total Tax Expenses	(2009.37)	
Net Profit for the year after Tax	6362.30	
Total comprehensive income for the year	6362.30	
Gross Block	2717.85	

Company was admitted for CIRP under provisions of IBC, 2016 and resolution plan has been approved in August, 2020, board has been re-constituted in October 2020. New management started the operation of company in the last week of November 2020. As there was no operation in previous years, so details of significant changes in key financial ratios along with detailed explanations therefor are not provided.

Since there were no operations in significant part of financial year 2020-21, comparison of change in return on net worth with previous year is not provided.

Internal Control System

The Company has adequate internal control systems commensurate with the size and nature of its business. Well documented policies, guidelines and procedures to monitor business and operational performance, all of which are aimed at ensuring business integrity and promoting operational efficiency. All assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly, financial and other data are reliable for preparing financial information and other data and for maintaining accountability of assets. The internal control is supplemented by extensive programme of internal audits and review by management. The system has been designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets.

Human Resource Development

Your company believes and considers Human Resources as a vital asset for the growth of the Company. The response of the employees of the Company during covid crisis was extraordinary and the management place on record their appreciation to the Company's employees for their selfless efforts which helped your Company to reach normalcy in operations within a few weeks of the lock-down. The Company emphasizes its People Development Processes and strives to upgrade skill sets to motivate the workforce to contribute towards organization goals. The Company focuses on adequate training to empower and encourage employees. A transparent and active line of communication also exists within the organization to enable teamwork and promote

a culture of trust and confidence. There were total 279 permanent employees on the rolls of the Company as on March 31, 2021.

Cautionary Statement

Statements in this report describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. The actual results may differ materially from those expressed in this statement because of many factors like economic condition, availability of labour, price conditions, crude price, domestic and international market, changes in Government policies, tax regime, etc.

