

**Annexure- J**  
**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR 2018-2019**

The Company is operating with the objects of building multiple verticals in various businesses post-sale of the core business in October 2013. These new domains of business in which the Company has invested during the year include Research & Development of Products in Consumer Electronics space such as Mobile and Tech Accessories, Computer Accessories, Lifestyle Products etc

The Company has three subsidiaries, Palred Electronics Private limited {(formerly known as Palred Online Technologies Private Limited} (PEP), Palred Technology Services Private Limited (PTS) and Palred Retail Private limited (PRP). Palred together with its subsidiaries, is hereinafter referred to as “the Group.”

The Company is a Public Limited Company incorporated and domiciled in India having its registered office in Hyderabad, Telangana. The Company is listed on Bombay Stock Exchange and National Stock Exchange of India Limited.

**1. SUBSIDIARIES:**

**Palred Electronics Private Limited (PEP)**

(Formerly known as Palred Online Technologies Private Limited (POT)

PEP offers a bouquet of mobile accessories products through its brand “PTron” to meet the needs of its consumers. PTron sells products like bluetooth headsets, portable bluetooth speakers, wired headsets, chargers and cables, smart watches, networking products and many more. The strength of PTron is that it has a wide range of products whose quality is backed by warranty, but offers them at competitive prices in the branded accessories category for the mid-market. PTron has successfully delivered over 5 Million products (mobile accessories like bluetooth earphones, smart watches, bluetooth speakers etc) to valued customers over multiple online platforms as well as offline distribution and retail channels in India. PTron has now expanded its business in the global markets and has set up distribution channels in countries like USA, Hong Kong, Myanmar, Nepal, Malaysia, Tunisia etc.

**Palred Technology Services Private Limited (PTS)**

PTS offers end-to-end services for ecommerce companies. PTS front-end services include ecommerce platforms and digital marketing services. PTS also provides backend support including database management, fulfilment centres, with associated services from 3PL partners. It has fulfilment centres in Delhi & Kurnool, Andhra Pradesh.

The Company also offers a bouquet of Products through its brand “Xmate” that is exclusively available on Amazon.in. Xmate Sells products like Bluetooth headsets, Bluetooth speakers, wired headsets, chargers and cables, Computer Accessories, Cameras & Camera Accessories etc.

**Palred Retail Private Limited (PRP)**

PRP owns ecommerce website, www.LatestOne.com and PTron.in. LatestOne.com is India’s only e-tailer specializing in tech and mobile accessories such as Bluetooth speakers and headsets, cables, power banks, headsets, smart watches, fashion accessories etc. It stocks over 10,000 different products in its inventory. The company also sells through other major online retailers like Flipkart, Amazon, Snapdeal and PayTM mall.

**2. FINANCIAL PERFORMANCE:**

**A. Sources of Funds**

**1. Equity Share Capital**

As on 31<sup>st</sup> March 2019, the Company has only one class of issued shares – Equity Shares of Par value of Rs. 10/- per share. The Authorised Capital of the Company is Rs. 35,00,00,000/- (Thirty Five Crores) divided into (a) 2,80,38,800 (two Crore Eighty Lacs Thirty Eight Thousand Eight Hundred Only) shares of Rs. 10/- (Rupees Five Only) each and (b) 6,96,120 (Six Lakhs Ninety Six Thousand One Hundred and Twenty) Preference Shares of Rs.100/- each. The Paid up Equity Share Capital of the Company as on date of this report is Rs. 9,73,25,660 (Nine Crores Seventy Three Lakhs Twenty Five Thousand Six Hundred and Sixty) divided into 97,32,566 Equity Share of Rs. 10/- per share.

**2. Other Equity:**

**2.1. Securities Premium Account:**

The balance in Securities Premium Account as on March 31, 2019 was Rs. 6720.30 Lakhs as compared to the balance as on March 31, 2018 was Rs. 6720.30 Lakhs.

**2.2. Capital reserve:**

On a Standalone and Consolidated Basis, the Balance as at March 31, 2019, amounted to Rs. 142.8 Lakhs which was the same as previous year.

## 2.3. 2.3. General Reserve:

On a Standalone and Consolidated Basis, the balance as at March 31, 2019 stood at Rs. 1325.24 Lakhs which is the same as previous year.

## 2.4. Retained Earnings:

On a Standalone Basis, the balance as at March 31, 2019 stood at Rs. (6124.50) as compared to Rs. (1356.29) Lakhs in previous year, and Consolidated Basis, the balance as at March 31, 2019 stood at Rs. 6029.68 as compared to Rs. (4892.77) Lakhs in previous year.

## 3. Liabilities:

## 3.1. Non-current Liabilities:

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Other Financial liabilities	0	0	5100414	909400
Employee benefit obligations	377287	247480	1712848	1351698
<b>Total</b>	<b>377287</b>	<b>247480</b>	<b>6813262</b>	<b>2261098</b>

The Company provides for gratuity for employees in India as per the Payment of the Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionally for 15 days salary multiplied for the number of the years of service. The gratuity plan is unfunded.

## 3.2. Current Liabilities:

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Financial Liabilities				
Borrowings	0	0		0
Trade payables	0	0	0	3372923
Other Financial liabilities	0	0	6176572	29700272
	3812503	3353110	17485470	<b>44524944</b>
Other Current liabilities	227928	147249	1762831	4113616
Employee benefit obligations	0	0	19231	3985
<b>Total Current Liabilities</b>	<b>4040431</b>	<b>3500359</b>	<b>25444104</b>	<b>81715740</b>

On standalone basis, the Company has increased its total current liabilities to Rs. 40.40 Lakhs stood as on 31<sup>st</sup> March, 2019 as compared to Rs. 35 Lakhs in the previous year.

On consolidated basis, the Company has reduced its total current liabilities to Rs. 254.44 Lakhs stood as on 31<sup>st</sup> March, 2019 as compared to Rs. 817.16 Lakhs in the previous year.

## B. Application of Funds:

## 1. Non- Current Assets:

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Property plant & Equipment	1329406	2120408	5869498	10441246
Goodwill (Consolidation)	0	0	0	21620434
Intangible Assets	0	301247	1739572	3584582
Financial Assets				
Investments	88076900	465400000	0	0
Loans	0		2455827	3389827
Other non- current assets	23420350	20755067	29668928	22469405
<b>Total Non-Current Assets</b>	<b>112826656</b>	<b>488576722</b>	<b>39733825</b>	<b>61505494</b>

Investments in Subsidiaries/ associates

Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited):

On April 28, 2018 and November 14, 2018, the Board of Palred Technologies Limited, authorised the Company to invest Rs. 4 crores and Rs. 2 Crores respectively in Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited).

The Company has undertaken valuation by an independent valuer and accordingly the investment of Rs. 4 Crores was made at Rs. 62.50/- per share including a premium of Rs. 52.50/- per share and Investment of Rs. 2 Crores was made at Rs. 29.60/- per share including a premium of Rs. 19.60/- per share.

The Company holds 83.17% stake in the said subsidiary

Palred Technology Services Private Limited:

On April 28, 2018 and September 21, 2018, the Board of Palred Technologies Limited, authorised the Company to invest Rs. 1 crore each totalling to Rs. 2 Crores in Palred Technology Services Private Limited.

The Company has undertaken valuation by an independent valuer and accordingly the investment was made at Rs. 10/- per share

The Company holds 100% stake in the said subsidiary.

Palred Retail Private Limited:

On April 28, 2018, September 21, 2018 and November 14, 2018, the Board of Palred Technologies Limited, authorised the Company to invest Rs. 4 Lakhs, Rs. 2 Crores and Rs. 58.15 Lakhs respectively in Palred Retail Private Limited.

The Company has undertaken valuation by an independent Valuer and accordingly the investment of Rs. 4 Lakhs, Rs. 2 Crores and Rs. 58.15 Lakhs was made at Rs. 10/- per share.

The Company holds 96.77% stake in the said subsidiary

## 2. Current Investments, Cash and Cash Equivalents:

On a standalone basis, balance in current investments is NIL as March 31, 2019 compared to Rs. 5986.84 Lakhs as at March 31, 2018. The cash and bank balance stand at Rs. 1935.68 Lakhs as at March 31, 2019 as compared to Rs. 2300.29 Lakhs as at March 31, 2018.

On a consolidated basis, balance in current investments is Rs. 10.58 Lakhs as March 31, 2019 compared to 753.25 Lakhs as at March 31, 2018. The cash and bank balance stand at Rs. 2300.17 Lakhs as at March 31, 2019 as compared to Rs. 2819.52 Lakhs as at March 31, 2018

## III. RESULTS OF OUR OPERATIONS:

### 1. Income:

During the financial year ended 31 March 2014, Company had transferred its transportation and logistics software business and used the part of proceeds to refund it to the shareholders by way of dividends and reduction in share capital. Further, the Company also acquired investments in a subsidiary company engaged in the Consumer Electronics, e-commerce activities and IT services.

On a standalone basis, the Company has earned Rs. 153.75 Lakhs as dividend, interest and other income from non-trade investments

On a Consolidated basis, the Company has earned revenues of Rs. 3393.53 Lakhs from operations and Rs. 181.29 Lakhs from other income sources

As on date of this report, the Company has invested Rs. 856.97 Lakhs in Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited) and Rs. 23.79 Lakhs in Palred Retail Private Limited. Investment in Palred Technology Services Private Limited has Net carrying Value NIL as on date. The value of Investment in Subsidiaries has reduced due to Provision of Impairment Loss accounted during F.Y. 2018-19.

Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited) has earned a total revenue of Rs. 2978.79 Lakhs in FY 2018-19 as compared to Rs. 5140.97 Lakhs in FY 2017-18 resulting in 41.36% reduction in net revenue year on year basis.

Palred Technology Services Private Limited has earned a total Revenue of Rs. 333.66 Lakhs in in FY 2018-2019 as compared to Rs. 181.25 Lakhs in FY 2017-2018 resulting in 84.09% growth in net revenue year on year basis.

Palred Retail Private Limited has earned a total Revenue of Rs. 751.34 Lakhs in in FY 2018-2019.

Thus on a consolidated basis, the total revenue of the Company is Rs. 3574.82 Lakhs compared to Rs. 5380.95 Lakhs in previous year

### 2. Expenditure:

On a Standalone Basis, the expenditure incurred towards employee benefit expenses is Rs. 64.09 Lakhs as against 66.83 Lakhs of previous year and Other Expenses are Rs. 69.72 Lakhs as against 70.23 Lakhs of previous year.

On a Consolidated Basis, the Total Expenditure is Rs. 4483.43 Lakhs as against Rs. 6023.24 Lakhs of previous year.

**3. Operating Profit:**

On a standalone basis, the company has earned operating Profit of Rs.9.02 Lakhs as against loss of 71.83 lakhs loss in previous year.

On a Consolidated Basis, the company has incurred operating loss of Rs. 908.61 Lakhs as compared to profit of Rs. 642.29 Lakhs of previous Year

**4. Depreciation and Amortisation:**

On a standalone basis, we provided Rs. 10.92 Lakhs and Rs. 22.63 Lakhs for the years ended March 31, 2019 and March 31, 2018 respectively

On a consolidated basis, we provided Rs. 70.16 Lakhs and Rs. 88.70 Lakhs for the years ended March 31, 2019 and March 31, 2018 respectively

**5. Net Profit/Loss after tax:**

On a standalone basis, the company has earned net loss of Rs. 4768.73Lakhs as against Profit of 71.44 lakhs loss in previous year. On a Consolidated Basis, the company has incurred net loss of Rs. 1104.10Lakhs as compared to profit of Rs. 644.12 Lakhs of previous Year.

**6. Liquidity:**

On a standalone basis, the company has no operations. The Company has utilized Rs. 150.67 Lakhs from investing activities during 2018-2019 compared to generation of Rs. 2042.59 Lakhs during 2017-2018. The Company has also used Rs.151.81Lakhs from operating activities during 2018-2019 compared to Rs. 159.72 Lakhs during 2017-2018.

On a Consolidated Basis, the net cash used in operations is Rs. (1374.51) Lakhs as against (948.28) Lakhs net cash used in previous Year

**7. Related Party Transactions:**

These have been discussed in detail in notes to the standalone Financial Statements in Annual report

**8. Events occurring after Balance Sheet Date****Investment in Subsidiary:**

In May2019, the Company has Invested Rs. 2 Crores in its subsidiary company, Palred Technology Services Private Limited by way subscribing 2000000 equity shares of Rs. 10/- each at a par on private placement basis.

**IV. STRATEGY, OUTLOOK, OPPORTUNITIES AND THREATS:****A. Objective and Strategy:**

Palred Group aims to become a market leader in various products of Consumer Electronics business in India. The Company aims to achieve this unique position by combination of following factors:

- i. Creation of Innovative Products that are geared towards customer needs and that can be produced economically
- ii. Focus on enhancing customer benefit in terms of products and services as well as on close consumer contact
- iii. Proactive identification of future needs and technical applications
- iv. High value addition through combination of technology, systems & processes
- v. Simplification of a complex business involving continuously changing products and thousands of stock keeping units (SKU)/items.
- vi. End-to-end integration and implementation of Systems, Processes and Automation for efficient and scalable operations.
- vii. High quality Products backed by warranty
- viii. Steady and continuous development of brand (PTron)

**b. Outlook, Risks and Concerns:**

The Consumer Products Industry has been experiencing very intense competition for many years and we are operating in a market that is changing very quickly.

**B. Intellectual Property Infringement:**

As product development depends on the intellectual property created by its employees, we need to ensure that the same do not infringe any other proprietary technology rights. We have intellectual property rights to take care of trade secrets, copyright and trademark laws and confidentiality agreements for our employees, third parties offering only limited protection. The steps taken by us as well as laws of most advanced countries do not offer effective protection of intellectual property rights. Third parties could claim infringement of property rights against the Company or also assert the same against our customers, which would require protracted defence and costly litigations on behalf of our customers.

**C. Risks and risk management and their implementation**

The systematic analysis, evaluation and management of potential risks are decentralized within the Palred Group. Every organizational unit is responsible for detailing its own risk register, which it must then use to establish countermeasures for managing risks. The purpose is to identify and avert potential damage to the company at an early stage. All registers are centrally coordinated and aggregated so the Management Team has an overview at all times of the most significant risks and the measures being taken to manage them. Within the scope of independent audits, the Audit Department monitors the individual corporate entities with regard to early risk identification and compliance management by performing random inspections. The Management Team is informed directly and immediately of the findings.

The risks of procuring certain parts and components, product compliance and IT security are among the most important issues for which the Palred Group is taking countermeasures. IT security risks are addressed through technical and organizational measures. Effective customer management minimize the impact of potential defaults on receivables.

**Financial Performance**

Prudent Financial Planning, effective resource allocation and tight financial control have ensured that the cash flows of the Company remain healthy. The ability of the Company to raise credit remains unimpaired

**V. INTERNAL CONTROL SYSTEMS AND ADEQUACY:**

The Company has adopted strong and automated internal business controls and a process framework that is not only adequate for its current size of operations but can effectively support increases in growth and complexity across our business operations. A well established and empowered system of internal financial audits and automated control procedures ensures prudent financial control, flexibility in terms of process changes to enable course correction.

Internal auditors submits reports and updates to the audit committee of the Board, which conducts frequent reviews and provides direction and operational guidance on new processes to be implemented to further enhance efficiencies within the Company.

The Company is in the process of implementing Enterprise Resource Planning along with various business controls which would have automatic internal control systems to identify errors and also provide better MIS.

**VI. HUMAN RESOURCES:****A. Objective and Strategy:**

Capability building, Talent Management and Employee Engagement remain the key focus of your company's Human Resource Strategy. Your Company has continued to build on its capabilities in getting the right talent to support the different technology areas. They are backed by robust management training schemes, hiring of key management personnel, and sales training.

Human Resources are the most valuable asset for the Company and Palred Technologies continues to seek, retain and enrich the best available talent. The Human Resource plays an important role in the growth and success of the Organization. Your Company has maintained cordial and harmonious relations with all the employees.

The Company provides an environment which encourages initiative, innovative thinking and rewards performance. The Company ensures training and development of its personnel through succession planning, job rotation, on-the-job training and various trainings and workshops.

**B. Culture, Values and Leadership**

Your Company has a written code of conduct and ethics to make employees aware of ethical requirements and Whistle Blower Policy for reporting violations, if any.

Your Company has internal structured succession planning to take care of loss of any member of senior management or other key management personnel. Since inception your Company is committed to developing next generation leaders and conduct personality development and development work of skills acquired by them over the years. Your Company encourages an "Equal Employment Opportunity Policy" which discourages discrimination for employment on account of sex, race, colour, religion, physical challenge and so on.

As the Company operates in a niche industry that requires high techno functional expertise. The employees constantly need to enhance their technical and functional knowledge and so regular training sessions on specific technical skills and domain knowledge were conducted.

**VII. CAUTIONARY STATEMENT:**

Statements in the “Management Discussion and Analysis” describing the company’s objectives, estimates, expectations or projections may be “forward looking statements” within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations; include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the Company conducts business, litigation and other allied factors.

**VIII.DETAILS OF SIGNIFICANT CHANGES (I.E., CHANGE OF 25% OR MORE AS COMPARED TO THE IMMEDIATELY PREVIOUS FINANCIAL YEAR) IN THE KEY FINANCIAL RATIOS, ALONG WITH DETAILED EXPLANATIONS THEREOF:**

Particulars	Standalone basis		Remarks
	2018-19	2017-18	
Debtors Turnover Ratio	0	0	
Inventory Turnover Ratio	0	0	
Interest Coverage Ratio	0	0	
Current Ratio	84.48	48.32	The Company has made an Investment in Palred Retail Private Limited during the F.Y.2018-19 due to which the Current ratio for the F.Y. 2018-19 has increased
Debt Equity Ratio	0.01	0	
Operating Profit Margin Ratio	0	0	
Net Profit Margin Ratio	0	0	
Particulars	Consolidated basis		Remarks
	2018-19	2017-18	
Debtors Turnover Ratio	22.86	0	Change of business model from B2C to B2B
Inventory Turnover Ratio	3.19	3.92	No significant change
Interest Coverage Ratio	-123.15	-162.66	Huge difference due to high usage of OD in FY 2017-18
Current Ratio	12.69	5.66	The Company has made an Investment in Palred Retail Private Limited during the F.Y.2018-19 due to which the Current ratio for the F.Y. 2018-19 has increased
Debt Equity Ratio	1.15	1.23	No significant change
Operating Profit Margin Ratio	-0.31	-0.16	Change of business model from B2C to B2B
Net Profit Margin Ratio	-0.38	-0.18	Change of business model from B2C to B2B

Return on Net Worth:

Particulars	Standalone basis		Consolidated Basis	
	2018-19	2017-18	2018-19	2017-18
Return on Net Worth	0.05	0.03	1.13	1.26

There is a reduction in Return in Return on Net Worth ratio as the Company has incurred a loss on Exceptional Item due to impairment of Investment in Subsidiaries during the F.Y. 2018-19.

**IX. DISCLOSURE OF ACCOUNTING TREATMENT:**

During the preparation of Financial Statement of F.Y. 2018-19 the treatment as prescribed in an Accounting Standard has been followed by the Company. There is no discrepancy in Accounting Treatment as followed by the Company in current financial year as compared to previous financial year.