



MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Overview.

During 2017-18, the government's efforts to make business and commerce easy have been widely acknowledged. Major reforms were undertaken over the past year. The transformational Goods and Services Tax (GST) was launched at the stroke of midnight on July 1, 2017. There has been a fifty percent increase in the number of indirect taxpayers; and a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of input tax credits. And the long-festering Twin Balance Sheet (TBS) problem was decisively addressed by sending the major stressed companies for resolution under the new Indian Bankruptcy Code and implementing a major recapitalization package to strengthen the public sector banks. During the previous year further liberalization of FDI also done and these steps further strengthened the momentum of reforms.

On the export front, after remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and strengthened further in 2017-18. During 2017-18 the overall export of the country increased by 9.98 % in USD terms. There was an augmentation in the spot levels of foreign exchange reserves to close to US\$ 424 billion, as on 30th March, 2018. The export of Leather Industries was marginally increased by 1.34% during the year, in USD terms. The Footwear Components and Saddlery and Harness shown the major growth 11.75% and 9.02% respectively and Non-Leather Footwear shown major reduction of 12.63% during the year 2017-18 in USD terms.

The major markets for Indian Leather & Leather Products are U S A with the share of 14.76 %, GERMANY 11.92%, U K 10.74%, ITALY 6.78 %, FRANCE 5.69%, SPAIN 4.90%, HONG KONG 4.32%, NETHERLAND 3.43 %, CHINA 2.97%, UAE 2.81%, POLAND 2.52 %, BELGIUM 2%, VIETNAM 1.82%, AUSTRALIA 1.59% and JAPAN 1.24%. These 15 countries together accounts for nearly 77.49% of India's total leather & leather products export.

Export of leather & leather products to major markets like POLAND, NETHERLAND, FRANCE, VIETNAM, JAPAN, AUSTRALIA, BELGIUM, GERMANY, ITALY AND U K shown positive growth and CHINA, U S A, SPAIN, HONG KONG and UAE shown negative growth during 2017-18.

Industry Structure and Development

The Leather Industry holds a prominent place in the Indian economy. This sector is known for its consistency in high export earnings. With total annual Export of over US\$ 303.38 billion, the export of leather and leather products increased manifold over the past decades and touched US\$ 5.74 billion during 2017-18.

The Leather industry is bestowed with an affluence of raw materials as India is endowed with 21% of world cattle & buffalo and 11% of world goat & sheep population. Added to this are the strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental standards, and the dedicated support of the allied industries. The leather industry is an employment intensive sector, providing jobs to about 2.50 million people, mostly from the weaker sections of the society. Women's employment is predominant in the leather products sector with about 30% share.

India is the second largest producer of footwear and leather garments in the world.

The leather industry is spread in different segments, namely, Finished Leather, Footwear, Footwear Components, Leather Garments and Leather Goods including Bags, Saddlery, Harness and Leather Gloves.

As per DGCI & S export data, the export of leather and leather products for the year 2017-18 stands at US\$ 5741.81 million against the export of US\$ 5665.91 million during the previous period, registering a growth of 1.34%.

Opportunities and Threats :-

The Government of India had identified the Leather Sector as a Focus Sector in the Indian Foreign Trade Policy in view of its immense potential for export growth prospects and employment generation.

Accordingly, the Government is also implementing various Special Focus Initiatives under the Foreign Trade Policy for the growth of leather sector. With the implementation of various industrial developmental programmes

as well as export promotional activities; and keeping in view the past performance, and industry's inherent strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental standards, and dedicated support of the allied industries, the Indian leather industry aims to augment the production, thereby enhance export, and resultantly create additional employment opportunities.

However, with such good opportunities, there are certain threats like entry of multinationals in domestic market, International price fluctuation, Stringent Pollution norm like zero liquid discharging policy of the government, fast changing fashion trends and reduction of Government incentive.

Segment-wise Performance :-

The segment-wise performance of the company during the year is as under :-

Segments Turnover

a-Leather and Leather Products	Rs. 473.94 Crores (previous year Rs. 489.56 Crores)
b-Textile Garments	Rs. 102.27 Crores (previous year Rs. 106.28 Crores)

Domestic Sales :

The company is manufacturing and selling its products in domestic market with reputed Allen Cooper Brand.

Outlook :-

The Government of India had identified the Leather Sector as a Focus Sector in the Indian Foreign Trade Policy in view of its immense potential for export growth prospects and employment generation. Accordingly, the Government is also implementing various Special Focus Initiatives under the Foreign Trade Policy for the growth of leather sector. With the implementation of various industrial developmental programmes as well as export promotional activities; and keeping in view the past performance, and industry's inherent strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental standards, and dedicated support of the allied industries, the Indian leather industry aims to augment the production, thereby enhance export, and resultantly create additional employment opportunities. The Company products are well accepted in overseas and indigenous market, now the company is focusing to expand geographic presence to new countries and deeper penetration in existing market through aggressive marketing and distribution. The Company is making efforts to penetrate into new area of Sports Shoes market. The company is using E-commerce platform to expand its marketing activities in indigenous market.

Risk and Concerns :-

The major raw material for the leather industry is raw hide/skins. Leather is a natural product and its prices and availability are changing from time to time. The company is having vast experience in sourcing the raw materials for its tanneries and leather products divisions from India and outside which help in keeping the prices and availability under control. The output of raw hides/skins also depends upon personal skill of the purchasers and technicians, which are being properly taken care-of by the experienced personnel of the company. The substantial revenue of the company is being generated in foreign exchange. The adverse foreign exchange rates may affect the profitability of the company. The experienced professional of the company are keeping close watch over movement in currency rates.

Cautionary Statement :-

Statement in the Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectation, or prediction may be 'forward-looking statement'. Further, the performance of the company is also dependent on domestic and global economic conditions, government and regulatory policies on which the company is not having any control.

Internal Control System and their Adequacy :-

The company has a proper and adequate system of internal controls to



ensure that all assets are safeguarded and protected against loss from misuse or disposition and those transactions are authorized, recorded and reported correctly. Proper checks and controls have been introduced for all the incoming and outgoing materials. The Audit Committee and Internal Audit Department regularly review the financial and operating controls at all locations of the Company. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

Financial Performance with respect to Operational Performance:-

The financial statements have been prepared in compliance with the requirements of the companies Act, 2013 and Generally Accepted Accounting Principles in India. The company has achieved the sales and other income of Rs.576.21 crores during the year against Rs. 595.83 crores reported last year. The profit after tax was Rs.12.89 crores during the year as compared to Rs. 13.01 crores reported during the previous year. The nett block of the company as at 31.03.2018 was Rs. 220.61 crores against Rs. 211.01 crores as at 31.03.2017. The net current assets as at 31.03.2018 were Rs.74.82 crores as against Rs. 54.16 crores as at 31.03.2017. The detailed information on financial performance is given in the attached annual financial statements. The summarized financial performance during the year is as under :-

Financial of the Company :-

	2017-18	2016-17
Sales	56369.90	58911.34
Other Income	1251.67	672.00
PBT	1953.94	1939.59
PAT	1289.45	1301.58
Share Capital	1141.98	1141.98
Other Equity	25927.85	24607.40
Net Worth	27069.83	25749.38
Earnings per share	11.70	11.81

Industrial Relations and Human Resources Development :-

The relations with the employees continued to be cordial during the year. Directors record their appreciation for the sincere and hard work put in by all categories of employees during the year. There were 1712 permanent employees with the company as on 31st March, 2018.

ANNEXURE I TO DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2017-18

1.	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR policy and projects or programs.				Refer Corporate Social Responsibility Section of the Board Report				
2.	The Composition of the CSR Committee.				Refer Corporate Governance Report				
3.	Average net profit of the company for last three financial years				380654805				
4.	Prescribed CSR Expenditure (2% of the amount as in item 3 above)				7613096				
5.	Details of CSR spent during the financial year.								
	(a) Total amount spent for the financial year				2449844				
	(b) Amount unspent, if any				-				
	(c) Reason for not spending 2% of the average net profit of the last three financial years: Superhouse Limited considers social responsibility as an integral part of its business activities and endeavors to utilize a llocable CSR budget for the benefit of society. The CSR initiatives are on the focus areas approved by the Board benefitting the community. However, the company has just embarked on the journey of ascertained CSR programs. For this reason, during the year, the Company's spend on the CSR activities has been less than the limits prescribed under Companies Act, 2013. The CSR activities are scalable with few new initiatives that may be considered in future and moving forward the Company will endeavour to spend the complete amount on CSR activities in accordance with the statutory requirements.								
	(d) Manner in which the amount spent during the financial year is detailed below :-								
Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs		Amount outlay (budget) project or programs wise	Amount spent on the projects or programs		Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
			Local area or other	Specify the State and district where projects		Direct expenditure on projects or programs	Overheads		
1.	Chowdhary Ehsan Kareem Hospital	Hospital	Jajmau Road, Jajmau, Kanpur	Kanpur-208010(U.P)	157874	157874	-	157874	Direct
2.	Council for Footwear Leather and Accessories	Education	Delhi	Delhi	500000	500000	-	500000	Direct
3.	Food for All	Food for Poor Children	3 rd Floor, 150 VIP Road, Jajmau, Kanpur	Kanpur-208010 (U.P)	56000	-	-	56000	Aminsons Welfare Trust
4.	Sardar Timber Company	Sports	Gumti No. 5 Kanpur	Kanpur-208012(U.P)	450970	450970	-	450970	Direct
5.	Prince Aly Khan Hospital	Hospital	Mumbai	Mumbai	175000	175000	-	175000	Direct
6.	Jamea Haidayat trust	Education	Jaipur	Jaipur	1100000	1100000	-	1100000	Direct
7.	Dr. M S Baweja	Hospital	Kanpur	Kanpur	10000	10000	-	10000	Direct

Sd-
Anil Kumar Agarwal
Director Finance/CFO

Sd-
Mukhtarul Amin
Chairman, CSR Committee