

Management discussion and analysis report



Annexure - E

A. ECONOMIC REVIEW

The financial year 2017-18 was an eventful year with the adoption of Goods & Services Tax. The Indian economy is projected to increase from 6.7% in 2017 to 7.4% in 2018 driven by strong private consumption and fading transitory effects of the demonitisation initiative and the implementation of the GST. The consumption is expected to be driven by a normal monsoon, controlled inflation and low cost of borrowings. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and encourage private investment. The focus of Indian Government on job creation through rural and labour-intensive infrastructure spending will further pave the way for sustainable growth.

B. INDUSTRY STRUCTURE & DEVELOPMENT, OPPORTUNITIES & THREATS AND OUTLOOK

TEA

The production of world Tea crop was 5,686 million kgs. in 2017 as compared to 5,561 million kgs. in 2016. Indian Tea crop was approximately 1,278 million kgs. against 1,267 million kgs. last year, the increase resulting from well distributed rainfall.

The Company produced 56,14,825 kgs. of Tea during the year ended 31st March, 2018 against 58,13,206 kgs. for the same period last year. The average price for Assam Teas realized by the Company during the year was ₹149/- per kg. and for South Indian Teas was ₹103/- per kg.

Global consumption of Tea is likely to grow because of growing population and perception of the consumers towards Tea as natural health and wellness beverage.

High quality, good liquoring CTC Teas will find good acceptance and a firm market is forecast during the current season. Market for plainer and medium quality Teas remains weak and this trend is expected to continue in the ensuing season.

COFFEE

The global Coffee production in 2017-18 was 159.66 million bags, 1.2% higher than 2016-17, with a 12.1% increase in Robusta output offsetting a 4.6% decline in Arabica production. Robusta production rose from 55.6 million bags in 2016-17 to 62.24 million bags in 2017-18 largely due to increase in output from Vietnam and Indonesia, while, the decline in Arabica production was driven by lower output in Columbia and Brazil.

The production of coffee in India for the season 2017 was estimated at around 316 million kgs. comprising of 95 million kgs. of Arabica and 221 million kgs. of Robusta, as compared to 312 million kgs. comprising of 95 million kgs. of Arabica and 217 kgs. of Robusta in 2016.

The Company produced 2,43,590 kgs. of Coffee comprising of 1,22,334 kgs. of Arabica and 1,21,256 kgs. of Robusta during the year ended 31st March, 2018 against 2,82,951 kgs. comprising of 1,07,602 kgs. of Arabica and 1,75,349 kgs. of Robusta harvested for the same period last year. The average price for Coffee realized by the Company during the year was lower at ₹153/- per kg. as compared to ₹166/- per kg. last year.

For the second consecutive year, global Coffee production has exceeded consumption. This excess is weighing down on global Coffee prices in the current season.

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RUBBER

Global production of Natural Rubber rose by 6.8% to 133 million tons during 2017 as compared to 124 million tons produced in 2016. Global consumption, meanwhile, rose by a mere 1.4% to 129 million tons in 2017. India's rubber production has been on a declining trend. The NR production of India during 2017 estimated at 6,54,000 tons as against 6,91,000 tons during the previous year.

The Company produced 8,60,101 kgs. of Rubber during 2017-18 as against 9,25,313 kgs. during the previous year. The Company continues to focus on quality to fetch premium in the market for its product. The average price realized by the Company for 2017-18 was ₹140/- per kg. as against ₹135/- per kg. last year, which was higher by ₹5/- per kg.

The projected NR production for next fiscal is considerably lower as compared to the production potential, considering the prevailing low Rubber prices and extent of untapped areas.

C. RISKS AND CONCERNS

Risk management is an ongoing process that can help improve operation, prioritise resources, ensure regulatory compliance, achieve performance target, improve financial stability and ultimately prevent loss/damage to the entity. But business entities cannot be risk averse as profits in business without taking risk is highly unlikely. Risk management plays a key role in protecting the assets and resources and ensuring that risks are reduced to an acceptable level. The essence of the risk management is to reduce the risk to a reasonable and in manageable level on an ongoing basis. Risk management is a two-step process – determining what risks exist and, then, handling those risks in ways best-suited to the objectives. The Company has risk management which inter alia provides for review of the risk assessment and mitigation procedure, laying down procedure to inform and report periodically to the Board of Directors and to ensure that the procedure is properly followed to mitigate the risks.

The plantation industry is largely dependent on the vagaries of nature with factors like rainfall, its distribution, temperature, relative humidity and light intensity having its impact on yield. Since timely information of weather plays a vital role for initiating steps towards application of fertilisers, chemicals and pesticides, steps are taken at the estates to get the weather information well in advance.

The Company has made substantial investment in irrigation to minimize the impact on Crop in its Tea Estates. The Company has also increased its capacity to artificially irrigate its Robusta fields in the Coffee Estate by storing the rain water in its catchment areas by excavating reservoirs.

The industry is highly labour-intensive and is subject to stringent labour laws. Substantial increase in labour wages, high social costs over most Tea producing countries, high infrastructure costs and increasing energy and other input costs remain the major problems for the Indian Tea industry. Shortage of labour during peak season in some pockets is also a cause for concern.

The Company has been maintaining exceptionally good relations with its labour force and with the employee friendly approach being adopted by it, the industrial relations continue to remain cordial. The Company has been successful to attract workers from the non-traditional plantation districts of Orissa, Jharkhand and Madhya Pradesh. The Company is also focusing on retaining the skilled workforce by providing better working atmosphere, improving the skill levels by training on various activities like introduction of mechanization in all possible and feasible activities.

D. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has adequate internal control system commensurate with the size, scale and complexity of its operations which provides reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency by cost control, preventing revenue leakages and ensuring adequate financial and accounting controls and compliance with various statutory provisions.

A qualified and independent Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them.

E. FINANCIAL & OPERATIONAL PERFORMANCE

The details of Financial Performance and Operational Performance have been provided in the Report of the Directors.

F. HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

The Company has built its workforce with a diverse background of individuals - essential for the kind of organization what it is. The Company constantly endeavours to provide a platform where people have opportunities to

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actualize their maximum potential through work which helps to stretch their intellect. Continuous efforts are on for a work-culture which encourages innovation, transparency in communication, trust and amity. As on 31st March, 2018, there were 3257 permanent employees on the rolls of the Company. Industrial relations in all the estates, factories and offices of the organization were cordial throughout the year under review.

G. CAUTIONARY STATEMENT

The statements made in the Management's Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may be "Forward Looking Statements" within the meaning of applicable

Securities Laws & Regulations and are based on the currently held beliefs and assumptions of our management, which are expressed in good faith and in their opinion, reasonable. Actual results could differ from those expressed and implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. Several factors could make a significant difference to the Company's operations which includes climatic conditions, economic conditions affecting demand and supply, government regulations and taxation, natural calamities, raw material price changes, domestic supply and prices conditions, company's success in attracting and retaining Key Personnel, integration and re-structuring activities, general business and economic conditions over which the Company does not have any direct control.