

Annexure - 8**MANAGEMENT DISCUSSION AND ANALYSIS**

[Schedule V – Regulation 34(3) of SEBI (LODR) Regulations, 2015]

Introduction

Management Discussion and Analysis mainly comprise of the statements which, inter-alia, involve predictions based on perceptions and may, therefore, be prone to uncertainties. It is the sum total of the Company's expectations, beliefs, estimates and projections which are forward looking within the meaning of applicable laws and regulations. The actual results could differ materially from those expressed herein specifically or impliedly.

a) INDUSTRY STRUCTURE AND DEVELOPMENTS

In India, many states announced capital subsidy and interest subsidy apart from the Technology Upgradation Fund Scheme (TUF) announced by the Government of India for new investments in the textile sector. The Director General of Foreign Trade revised rates for incentives under the merchandise exports from India scheme for two sub sectors readymade garments and made ups from 2 to 4%. Also the Textile Ministry earmarked Rs. 690 Crores for setting up readymade garment manufacturing units in seven states for the development and modernization of Indian textile sector.

With positive sentiments about consistent growth projections for India, we expect to do well in coming years.

b) OPPORTUNITIES & THREATS

We expect that there will be good growth potential in the apparel sector. With the growth of automobiles, demand for technical textiles will also increase. The awareness of fashion amongst the young generation is pushing up the per capita consumption of textiles in India. The Government of India has been given special incentives to the garment sector under TUF Scheme and the Director General of Foreign Trade has also revised rates of incentives under merchandise export from 2 to 4%, which all are opportunities.

The uncertainty in the market due to sluggish demand, increased power cost in Rajasthan, and short term disruptions due to implemented Good & Service Tax (GST) is a threat to the industry. Also there is a shortage of skilled/unskilled labour, which may affect the working of the Company.

c) SEGMENT-WISE PERFORMANCE

The Company has only one line of business, i.e., manufacturing of synthetic blended yarn during the year under review, hence no segment wise information is required. The Company has no activity outside India, except export of yarn manufactured in India, therefore, there is no geographical segment .

d) OUTLOOK

India is expected to grow annually at around 7% between 2018-2022, the Indian middle class is forecast to expand at 19.4% a year over the same period. As a result, India is expected to emerge as one of the most attractive textile consumer markets.

The Indian home textile industry is projected to grow at 8% during 2017 to 2021.

To take advantage of the opportunities, the Company continues to modernize its plant and machinery and add balancing equipment to improve quality of products.

e) RISKS & CONCERNS

Volatile oil prices directly influence pressure on polyester fiber prices almost on daily basis. This cannot be passed on to the customers on a day to day basis. Hence new element of risk has been introduced in the yarn industry. Also the non-availability of trained/skilled man power is a matter of concern.

f) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a professional internal control system, which provides adequate safeguards and effective monitoring of transactions. The Company has a strong internal audit system and an Independent Internal Auditor. The Internal Auditor reports to the Chairman, and the Audit Committee of the Board. Personnel of the Internal Auditor conduct periodical audits in all the areas to ensure that the Company's control mechanism is properly followed and all statutory requirements are duly complied with.

g) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATING PERFORMANCE

The operating performance of the Company has been discussed in the Directors Report under the head financial summary and state of Company affairs/operations. The Profit Before Tax for the year 2018-19 was Rs. 811 lakhs as against Rs. 1802 lakhs in the year 2017-18. The profitability of the Company was effected due to heavy fluctuations in raw material prices, particularly synthetic staple fiber, because of the heavy fluctuations in crude oil prices. The profitability is also lower due to demerger of the Finance and Investment undertaking w.e.f. 01.04.2018.

h) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The Company treats its human resources as its most important asset and believes in its contribution to the all round growth of the Company. Your Company's progress is a reflection and outcome of the human resources it has. Your Company has fostered a culture of ownership, accountability and self-evaluation that encourages employees to continuously improve their efficiency. The industrial relations remained cordial throughout the year.

i) OVERVIEW OF THE COMPANY'S PERFORMANCE

During the year 2018-19, the production of synthetic blended yarn was slightly lower i.e. 169 lakh Kgs as compared to 173 lakh kgs in 2017-18. The total income also decreased from Rs. 28464 lakhs to Rs. 27365 lakhs. This was due to a decrease in the sale volume of finished products. Net profits reduced from Rs. 1254 lakhs in 2017-18 to Rs. 734 lakhs in 2018-19, which was mainly due to heavy fluctuations in raw material prices, particularly synthetic staple fibers, because of the heavy fluctuations in crude oil price and also due to demerger.

The earnings per share for the year 2018-19 was Rs.3.40 as compared to the previous year's Rs.5.81.

j) LONG TERM AND SHORT TERM STRATEGY OF COMPANY**Water Conservation**

The Company has undertaken rain water harvesting for preservation of water and also increasing the water level in and around the Company's manufacturing facilities. The Company constructed 6 mini ponds outside the mill area for the purpose of water harvesting in line with ' JAL Swavlamban Abhiyan' of the Government of Rajasthan.

Waste Water Utilization

The Company focused on the prudent utilization of waste water with the objective to put every drop to productive use.

All effluents discharged from the dye house are reused after treatment in the effluent treatment plant (including condensate from the MEE operation). 100% STP treated water is used for various activities including gardening.

Renewable Energy

We believe that investment in renewal energy moderates carbon footprint, reduces energy costs, enhances power security and provides a long term insurance against an increase in power cost. The Company has invested Rs. 415 lakhs to commission roof top solar energy panels of 1.0 MW in 2017-18 with a payback period of around 5 years.

The proactive investments moderated the Company's carbon foot print and power cost.

These activities towards energy conservation reduced 12.40 Lakhs units energy consumption in the year 2018-19.

The Company is planning to install additional capacity of 1.8 MW solar power plant in the year 2019-20 to save power cost. The Company has also changed power supply from 33 KV to 132 KV in the year 2019-20, which will also save power cost.

k) SIGNIFICANT CHANGES IN FINANCIAL RATIOS

During the year, the significant changes in the financial ratios of the Company, which are 25% or more as compared to the previous year are summarized below:

S. No.	Financial Ratios	FY 2018-19	FY 2017-18	Change in %	Reason for Change
1.	Debtor Turnover Ratio	9.60	10.00	(4.01)	-
2.	Inventory Turnover Ratio (RM)	24.41	23.67	3.11	-
3.	Interest Coverage Ratio	2.97	5.59	(46.91)	Due to Lower profitability and demerger during the year
4.	Current Ratio	1.23	1.49	(17.92)	-
5.	Debt Equity Ratio	0.47	0.25	88.60	Due to Reduction in equity because of demerger
6.	Operation Profit Margin (%)	3.09	4.80	(35.68)	Due to Lower profitability and demerger during the year
7.	Net Profit margin (%)	2.72	4.55	(40.21)	Due to Lower profitability and demerger during the year
8.	Return on Net Worth (%)	6.18	6.60	(6.23)	-

l) CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's expectations or predictions may be forward looking within the meaning of applicable laws or regulations. Actual results may differ materially from those expressed or implied.

For and on behalf of the Board

Rajendra Kumar Rajgarhia
Chairman
DIN: 00141766

Place : New Delhi
Dated : August 01, 2019