

MANAGEMENT DISCUSSION AND ANALYSIS

1. Current scenario

For the Textile industry, the Global focus is shifting from China to India due to cost and stability factors. The Government's positive steps are expected to help this shift and if foreign investment in textile retail materialises, the consumption of the textile product in the domestic market should increase in the year to come.

Equally, our Economy is also showing recovery with lower fiscal and current account deficit. The Indian Government in a pro - active manner has set in motion lots of economic initiatives. These initiatives in the long run would sustain positive economic growth which is fundamental for the overall growth and standard of living.

2. Business Segment

Textile Industry

The Company achieved a turnover of Rs. 3292.36 lakh against Rs. 3608.24 lakh relating to the previous year. The gross profit of the Company recorded at Rs. 48.31 Lakh before interest and depreciation and net loss for the year is at Rs. 291.66 Lakh as against loss of Rs. 261.28 Lakh for the previous year. The turnover of the Company is more as compared to the previous year but due to some government policies and the market culture the Company has incurred losses during the year under review.

Hotel

As we all are aware that, in the 2016-17 the Government of India has declared Smart City status to Solapur, so in view of this the prediction of hospitality industry was that the good investment will take place in the Solapur City to develop it and also it will impact on Hotel Industry in good scene. But, due to some policies of government in development of region area was not so good, that's why the results are not getting positive. The lenders, Bank of India, have taken possession of property of Hotel division of the Company on 25th October, 2017 under SARFESAI Act and from that date the Hotel business of the Company is not operating. The Company have referred the matter to debt Recovery Tribunal, Pune. In respect to this, the Board of the Company has given the power of attorney to Mr. K. T. Katare, Director of the Company to discuss and negotiate the matter with Bank of India, Solapur branch for amicable settlement.

Also, the occupancy level in hotels all over India has been reported as getting lower and discounts percentages getting higher affecting industry. Though, Industry is very hopeful for future growth and expecting sunny days as the room inventories are increasing on daily basis, thus creating more opportunities for the service staff. This study follows the flaws in some of the government policies directly related to Hotel Industry which are affecting hotels and also discusses other issues related to hotel Industry as well such as Taxation Policies of Indian Government, Debt- funding by Indian Banks, Licensing Issues, Descending Indian economy, Online Travel Agents, Human Resource Management, Quality of Guest Services in the era of Social Media, Safety and Security etc. These are few of the most important concerns which have a long lasting effect upon the business of the hospitality

Solar Power Project

The Company has already Commissioned Rooftop Solar Power Project at hotel and has getting good benefit by way of reduction in monthly electricity bills.

Considering the involvement of power part in the cost of finished goods, the Company has set up 1 MW power project for captive consumption and accordingly pleased to inform you that the Company has successfully commissioned 1 MW Solar Power plant for captive consumption in the Month of April, 2015. This is the first net metering installation in the Maharashtra. During the financial year total 15,97,460 electricity units have been generated and it helps the Company to save in electricity bill substantially.

3. Industry Outlook

In general, the performance of the Textile industry depends upon the swings of demand by the market forces which closely track the economic trend. The exception to this rule is the demand for specialty cotton yarn which is consistent and growing. On bouncing of economic conditions, the demand trend is expected to be more positive for the current year even for normal segment of cotton yarn and that would drive more demand for specialty cotton yarn.

4. Opportunities

Improving economic conditions would generate more demand, in general, for cotton yarn. The Company by concentrating and focusing on manufacture of specialty cotton yarn has created specific markets for its products, which is on the growth path and has continued good demand.

5. Risks and Concerns

The Government policies and volatile economic environment have a bearing on the overall performance of the company.

6. The Financial and Operational Performance

The Financial statement given in the report of the Directors for the financial year 2017-18 is not as good as compare to Market situation, as the Company is having losses in the year. It reflects the genuine steps taken by the management for transparency and best judgments for the estimates made to correctly reflect the true and fair affairs of the Company and the Company is also planning for future years to come a good condition for the Company.

7. Internal control, systems and adequacy.

The Company has put in place effective control systems in respect of all its operations and such systems are continuously reviewed and upgraded.

8. Human Resources Development

The Company places its utmost value on the human resource and contribution from the employees is always fine-tuned towards to achieve the overall organization performance by constant education, training and various incentive schemes, which are in vogue.

9. Safety and Environment

The Company ensures high safety and environmental standards in all its operations at all the units. Safety needs are continuously monitored and preventive actions are initiated through departmental safety committees consisting of plant staff and workmen.

10. Cautionary Statement

Certain Statements in this report on Management Discussion may be forward looking statements and which have been issued as required by applicable Securities Laws and

Regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged.

Comments of the Board of Directors on the observations pointed out in the Secretarial Audit Report;

Sr. No.	Observations by Secretarial Auditors	Comments by the Board
1	The Company has not complied with the provisions of Section 203 of the Companies Act, 2013 and Regulation 6(1) of SEBI (LODR) Regulations, 2015 in respect of the appointment of Company Secretary in the F.Y. 2017-18	We are looking for appropriate candidate, but we are not getting the suitable person who will stay in Mo fusil area of Solapur.
2	The Company has not complied with the provisions of Section 203 of the Companies Act, 2013 in respect of the appointment of CFO in the F.Y. 2017-18	We are looking for appropriate candidate for the same post, but due to Mo fusil area of Solapur no one is getting to us.
3	There was a delay in payment of listing fees with BSE for the F.Y. 2017-18	Due to some financial crisis during the year, we are unable to pay listing fees within time.
4	As per Regulation 31(2) (d) of SEBI (LODR) Regulations, 2015 the shareholding of Promoters and Promoter group i.e. 65,037 shares are pending for dematerialization as on year end date.	We have given the physical shares Certificates to NSDL for dematerialization, so it is under process.
5	As per Regulation 33(3) of SEBI (LODR) Regulations, 2015 Company has not filed audited financial results for the Financial year ended March 31, 2018 within time as stipulated in the regulation with BSE.	Due to some technical reason, we were unable to file audited financial results for the financial year ended March 31, 2018 within time as stipulated in the regulation with BSE.
6	The Company has not properly followed the Regulation 47 of SEBI (LODR) regulations, 2015 in respect to advertisement in newspaper.	We inadvertently failed to comply with the given regulation, however henceforth we will take necessary action in respect to Public Announcement.
7	The Cash Credit and Term Loan availed by the Company from Bank of India have become Non- Performing Assets due to defaults in payments of installments and interest thereon and the loan accounts have been classified as Non-performing assets. The Bank of India have taken possession of property of hotel division of the Company on 25 th October, 2017 under SARFESAI Act and from the date the Hotel business of the Company is not operating and the said disclosure was not given to the stock exchange within a reasonable	The Company have referred the matter to debt Recovery Tribunal, Pune. In respect to this, the Board of the Company has given the power of attorney to Mr. K. T. Katare, Managing Director of the Company to discuss and negotiate the matter with Bank of India, Solapur branch for amicable settlement.

	period of time	
8	The Company has not complied with the provisions of sections 196 and 197 read with schedule V of the Companies Act, 2013 with respect to re-appointment of Managing Director and payment of remuneration to him during the F.Y. 2017-18.	The management of the Company has taken necessary steps to re-appoint Managing Director.
9	The Company has maintained the website of the Company as per SEBI (LODR) Regulations, 2015 but the website of the Company is not updated on run time basis.	We are in process of uploading all the details on website of the Company to come on real-time basis.
10	As per Section 139(1) of the Companies Act, 2013 the Company has appointed the Auditor but the Auditor is not holding Peer Review Certificate which is to be issue by the Peer Review Board of the Institute of Chartered Accountants of India.	Statutory Auditor who is appointed in the Company is in process to get peer review certificate from the said Institute.
11	The Company has declared Dividend in the year 2013 and some unclaimed amount of dividend is lying in a separate Bank account, but in respect to this Company has not complied with the provisions of IEPF rules, 2017.	The Management has taken necessary steps to comply with the IEPF rules, 2017.
12	The Company has not obtained SCORES registration as per SEBI circular.	The Management of the Company will take necessary steps to get login details of SCORES from BSE as early as possible.
13	The Company has closed its books as per Section 91 of the Companies Act, 2013 and has published the public notice for closure of register to the members in vernacular newspaper in English language but not published in the English newspaper.	We have given the advertisement in the newspaper but failed to give in the proper manner i.e. English adv. In English paper and vice-versa.
14	The Company has not complied the Section 108 and rules made there under of the Companies Act, 2013 with respect to advertisement for e-voting i.e. the Company has published the public notice for e-voting to the members in vernacular newspaper in English language but not	We have given the advertisement in the newspaper but failed to give in the proper manner i.e. English adv. In English paper and vice-versa.

	published in the English newspaper.	
15	The Company has not complied with the provisions of Companies Act, 2013 regarding route map of AGM in the 37 th AGM notice.	Actually we have provided the link but failed to attach the page of route map in the annual return, but we will take care in future to avoid such type clerical error.

By Order of the Board of Directors
KATARE SPINNING MILLS LIMITED

Place: Solapur
Date: 14th August, 2018

SD/-
KISHORE KATARE
Managing Director
(DIN No.-00645013)