

MANAGEMENT DISCUSSION AND ANALYSIS

ORGANISATION - PROFILE

Suryaamba Spinning Mills Limited is one of the well-known producers of Synthetic Blended Yarn for over a decade in the textile industries. The Company produces 100% Polyester, Viscose, Melange, P/V blended yarns with counts wide ranging from 08s to 60s and has established itself in the domestic and in the international market with a wide range of products. Currently the Company has one manufacturing unit with a total installed capacity of 44,112 spindles with a production capacity of 47.52 MTs per day. The unit is located at Mouza-Nayakund, Near Ramtek in the state of Maharashtra. The unit is certified "ISO 9001:2015".

INDIAN TEXTILE OUTLOOK

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 13 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world. The textile industry employs about 105 million people directly and indirectly. India's overall textile exports during FY 2017-18 stood at US\$ 37.74 billion. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP).

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. The Indian cotton textile industry showcased a stable growth in FY 2017-18, supported by stable input prices, healthy capacity utilization and steady domestic demand.

OVERVIEW OF INDIAN ECONOMY

The year 2017-18 was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. Government of India carried out a unified tax regime, Goods and Service Tax (GST), from July 2017. The implementation of GST will create a single marketplace, enabling supply chain efficiencies over the long term. However, the first year of its implementation, as anticipated, witnessed disruptions in supply chain, working capital constraints and greater compliance responsibility, especially for small and medium enterprises. The growth in the first half of the year suffered, whereas, the weakness seen at the beginning of 2017, seems to have bottomed out as 2018 set in. An increase in the stressed assets of the banking sector further impacted the industrial sector with cost of credit going up significantly. The overall annual growth stood at 6.5% for FY 2017-18, lower than 7.1% for FY 2016-17.

Even though all these pressures disrupted the economic conditions, there were some noteworthy positives to boost economic growth. Implementation of GST, the Indian Bankruptcy Code and implementation of Real Estate Regulations (RERA), among others, Jan Dhan Yojana and Aadhaar, Ayushman Bharat. India has retained its position as the third largest startup base in the world with over 4,750 technology startups.

While the last year saw a number of changes to the system, India's economy is expected to grow 7.3% in the next financial year, stated by World Bank. The Union Budget 2018-19 promised various Government initiatives to strengthen agricultural sector, increase in FDI, Make in India and Digital India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer. FY 2018-19 will be the period that witnesses a strong and sustained economic upsurge.

OPPORTUNITIES AND STRENGTHS

Positive steps taken by the Central Government for the textile industry, from allocation of funds to giving extra rebate to exporters and various other benefits, are expected to improve investment in this sector and provide more business opportunities in the near future. Subsidies from Central Government, 'Make in India' and 'Digital India' concept aids in futuristic growth in more ways than one. An experienced, enriched and technologically empowered textile sector will only emerge as an international powerhouse in the coming time. Early indications of a normal monsoon for three years in a row are likely to assist the raw material base.

Our long-standing relationship with our major customers has been one of the most significant factors contributing to our growth. Our commitments to quality and customer service practices have been strong contributing factors to our healthy customer relations. We have an experienced team of management with exposure in textile industry to run the operations. India has rich resources of raw materials of textile industry. It is one of the largest produce sources of fibers like polyester, silk, viscose etc.

RISKS AND CONCERNS

The results of our business operations are dependent on our ability to effectively plan our manufacturing processes and on our ability to optimally utilize our manufacturing capacities. Any disruption to our manufacturing process may affect our business operations. Some of the factor/threats affecting our manufacturing or production activities are:

- Utility supply disturbances, particularly power supply;
- Forced close down or suspension of our manufacturing facilities due to factors such as breakdown or failure of equipment, performance below expected levels of output or efficiency, facility obsolescence or disrepair, labour disputes such as strikes and work stoppages, natural disasters and industrial accidents;
- Severe weather condition;
- Interruption of our information technology systems that facilitate the management of our manufacturing facilities and;
- Other production or distribution problems, including limitations to production capacity due to

regulatory requirements, changes in the types of products produced or physical limitations that could impact continuous supply.

Apart from abovementioned concern, banking system of the Country which is dealing with large amount of bad loans, uncertainty in market conditions, Shortage of skilled manpower and labor related issues High Competition fluctuating raw material prices are some other issues.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Net turnover of your Company for the Financial Year 2017-8 is ₹ 15338.38 lakhs in comparison to ₹13959.65 lakhs in the previous year. The production during the year was 10539 MTS in comparison to 10390 MTS in previous year.

Your Company has earned a Profit Before Tax of ₹354.57 lakhs in comparison to ₹142.47 lakhs in the previous year. The Company earned a profit after tax of ₹ 234.69 lakhs in comparison to ₹48.65 lakhs in the previous

FUTURE OUTLOOK

The Company manufactures 100% Polyester, Viscose, Melange, P/V blended yarns and remains the preferred choice of many leading Indian brands. Moreover, the economy is on the path of recovery and the Company expects good demand for its products in domestic as well as international markets. Major markets for Indian Textile and Clothing (T&C) export are the USA, Germany, Italy, Portugal, Spain, Switzerland, U.K. Belgium, and other European countries, Argentina, Brazil, Turkey, Chile and other south American Countries, Egypt, Kenya, Morocco and other African countries. The domestic market is also on the path of healthy growth because of the fact that few manufacturing facilities operating abroad have closed down due to recession. The home-textiles and garment segments are reflecting sound growth both in the domestic and international markets due to good demand of apparels. There is a substantial scope for further growth in these segments.

Your Company believes that the competition in the emerging markets will be met by developing production systems based on cost efficiency, high productivity, quality assurance, etc.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has a robust internal control system and is supervised periodically by competent professional manager. Periodically, the systems are reviewed and aligned to the needs of the growing needs of the Company. Both external and internal auditors, who have access to all records and information about our Company, regularly check company's internal control systems. The Board and the management review the findings and recommendations of the auditors and take corrective actions wherever necessary. The Board considers risk assessment, identification of mitigating actions and internal control procedure to ensure that business risks are identified, managed and regularly reviewed at all levels and that Directors are periodically apprised of the key risks.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company has recorded higher volumes, operation profit and improved on several operational activities primarily because of the commitment, initiatives and high energy demonstrated by the employees at all levels. Human Capital is the most valuable resource of an organization. Development of human capital has always been the thrust area of the Company. Industrial relations are geared at



developing and aligning the operatives to the overall vision of the organization. Your Company takes adequate steps for maintaining safety and healthy environment for the workers and the Directors place on record their sincere appreciation for the excellent team work with which the workers and the staff of the Company at all levels contribute for the better performance of the Company.

DISCLAIMER

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts. The Company assumes no responsibility in respect of the forward-looking statements herein, which may undergo changes in future on the basis of subsequent developments, information or events

By Order of the Board
For Suryaamba Spinning Mills Limited

Place: Nagpur, Maharashtra
Date : July 20, 2018

Virender Kumar Agarwal
Managing Director
DIN : 00013314

Seema Rani Agarwal
Jt. Managing Director
DIN : 01430206