

CONCORD DRUGS LIMITED

ANNEXURE-V

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT**1. INDUSTRY STRUCTURE AND DEVELOPMENTS:**

India is the third largest Pharmaceutical market in Asia and is one of the major global generic drugs providers. India's domestic Pharmaceutical market is also growing year on year. India offers numerous opportunities for the Pharmaceutical industry. Along with enhanced medical infrastructure, risk in the treatment of Chronic diseases, improving health insurance coverage etc., will act as growth opportunities for the industry.

OPPORTUNITIES AND THREATS:

According to the government of India's own estimates, India ranks third worldwide for pharmaceutical production by volume and 13th by value. It accounts for about 10% of the world's production by volume and 1.5% by value. This apparent discrepancy points towards the relatively lower price of Indian pharmaceutical products, and the high demand they enjoy in the global market. A major supplier of affordable low-price drugs across the world, India's role as the "pharmacy of the world" is well acknowledged by experts.

As the novel coronavirus spread across countries, concern about the potential for disruption to the manufacture and distribution of pharmaceutical products has intensified. The Indian government is contemplating ways to encourage domestic manufacturing of APIs by creating a suitable ecosystem in the country. The FDA is working with the domestic manufacturer as to mitigate the shortage. FDA is trying to ensure that there is no shortage has been identified for products which cannot be replaced by others. Indian government is also planning on how to grow in the API sector in future.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

During the year under review, the Company has recorded revenue of Rs. 5133.89 Lakhs and made a profit of Rs. 32.83 Lakhs against revenue of Rs. 4807.72Lakhs and net profit of Rs. 40.70 Lakhs in the previous financial year 2018-19.

OUTLOOK:

The outlook for emerging market economies is expected to broadly improve, though volatility in capital flow will remain a challenge.

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The pharmacy sector in India is highly regulated, yet the sector suffers from circulation of substandard and counterfeit drugs which hampers the retail segment of the business. Measures are being taken by the pharmacy regulatory bodies of the country to control the menace as it hampers the revenue earning drastically. The government is also taking major initiatives to provide medicines at subsidized rates and distribution of medicines in the rural belt.

The pharmacy retail industry in India operates predominantly in the unorganized format and is currently having approximately 20 major players operating in organized format. However, most organized players are operative regionally and are far from having a pan India presence. A variety of value added services are being incorporated by the organized players to attract a larger market share and initiatives are being taken to engage customers in brand loyalty.

RISKS AND CONCERNS:

While the industry is seeing amazing growth, there is increasing focus on associated risks such as high compliance standards, government reform and pricing pressures, expiration of key drug patents, marketing practices, mergers and acquisitions, increasing litigations, and supply chain management.

Our risk management framework is intended to ensure that risks are identified in a timely manner. We have implemented an integrated risk management framework to identify, assess, prioritize, manage/mitigate, monitor and communicate the risk across the county.

Senior management personnel meet at regular intervals to identify various risks, assess, and prioritize the risks. After due deliberations, appropriate strategies are made for managing/mitigating the risks. The company takes the help of independent professional firms to review the risk management structure and implementation of risk management policies. Audit Committee on a quarterly basis, review the adequacy and effectiveness of the risk management strategies, implementation of risk management/mitigation policies, it advises the board on matters of significant concerns for Redressal.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company maintains a system of well-established policies and procedures for internal control of operations and activities, and these are continually reviewed for effectiveness.

The internal control system is supported by qualified personnel and a continuous program of internal audit. The prime objective of such audits is to

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test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements. We believe that the company's overall system of internal control is adequate given the size and nature of operations and effective implementation of internal control self-assessment procedures and ensure compliance to policies, plans and statutory requirements.

The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The Financial performance of the company is already discussed elsewhere in the Annual Report.

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

During the year under review the company has taken HR initiatives to train and develop talent pool. The company has also taken up a root cause analysis on bringing down the attrition rates. In order to improve the performance of management and to scale up the business operations, the company has recruited experienced personnel at senior level apart from strengthening other departments with competent people.

Details of changes in key financial ratios:

- (i) Debtors Turnover : 1.39:1
- (ii) Inventory Turnover : 2.43:1
- (iii) Interest Coverage Ratio : 1.30 : 1
- (iv) Current Ratio : 1.47:1
- (vi) Operating Profit Margin (%) = 0.01
- (vii) Net Profit Margin (%) = 0.01

Details of any change in return on net worth as compared to the immediately previous financial year along with a detailed explanation thereof:

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There is change in return on net worth as compared to the immediately previous financial year.

2. DISCLOSURE OF ACCOUNTING TREATMENT:

The Company has not carried out any treatment different from that prescribed in Accounting Standards.

CAUTIONARY STATEMENTS:

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

