

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Economic Overview

According to reports from World Economic Outlook Survey, Global aluminium supply is likely to be at 64-65 Mt in CY 2019. A significant surge in input costs, coupled with 2 Mt global market deficits, restricted global aluminium prices to around \$1,900/tonne.

The government's thrust on Make in India campaign is helping India as a viable production hub for global manufacturing giants. India's long-term growth potential continues to be robust with a focus on improving manufacturing and farm output, Infrastructure creation, increasing urbanization, expanding services sector and stronger regulatory framework for banking and financial services. The Goods and Services Tax (GST) - Constitution Amendment Bill, passed by the government and implemented last year has given a significant positive impact on the taxation structure in the country.

In CY 2019, the global macroeconomic environment is likely to remain highly volatile due to increased trade tensions between the US and China and uncertainty around Brexit. Central banks of major economies are taking an accommodative policy stance to aid economic growth. According to the International Monetary Fund (IMF), global economic growth is expected to moderate further to 3.3% in CY 2019 from 3.6% in CY 2018. As aluminium consumption is correlated with economic growth, global aluminium consumption growth may moderate to 2% in CY 2019. Among the user industries, transportation, machinery and equipment are expected to face moderation while construction and electrical are likely to be supportive. China is expected to maintain a steady growth at 2% to 3% on the back of government stimulus. The world excluding China is expected to see aluminium consumption growth of around 1% in CY 2019 from around 2% in CY 2018 due to likely moderation in demand from North America and Europe. India and the Middle East, on the other hand, could witness some increase. Global aluminium supply is likely to be flat at 64-65 Mt. Production in the world excluding China is expected to be around 28 Mt, driven by production from line 6 at Alba. Primary aluminium supply in China is likely to grow marginally in the 36-36.5 Mt range, on the back of ramp-ups at state-owned enterprises (SOEs).

### Industry Structure and Developments

CY 2018 was a highly volatile year for the aluminium industry with the US being a pivot for major events. The first half of the year was completely dominated by the US sanctions on UC Rusal and the imposition of Section 232, i.e., import tariffs of 10% on all aluminium products. The second half was impacted by the eruption of trade war between the US and China. Alumina supply was also impacted during the year due to disruptions at one of the world's biggest refineries outside China, pushing alumina prices to an all-time high of \$700/tonne in CY 2018. The US-China trade war dampened the global economic environment with most of the major economies experiencing a slowdown in growth, which in turn impacted aluminium consumption. In CY 2018, primary aluminium consumption growth moderated to 3% y-o-y from 6% y-o-y in CY 2017. The world, excluding China, reported aggregate consumption growth of around 2% in CY 2018, down from 3% in CY 2017, owing to subdued demand in Japan, the Middle East, Brazil, and Europe, while demand growth in North America remained flat at 2% y-o-y. Among user industries, only the packaging sector witnessed growth in CY 2018 versus CY 2017. However, consumption growth moderated in the construction, electrical, machinery, equipment and the transportation sectors. China in CY 2018 struggled on two fronts – the trade with the US and moderation in the domestic economy. Consequently, consumption growth slowed significantly to around 3% in the year from around 8% in CY 2017, owing to a sharp decline in demand from the transport, construction and electrical sectors. Global aluminium production excluding China grew around 2% y-o-y in CY 2018 versus around 1% y-o-y a year ago; production growth in China slipped to around 1% y-o-y from 13% y-o-y in CY 2017. A surge in input costs, coupled with environmental regulations, made a majority of the smelters in China unviable. As a result, overall global production marginally grew by 0.5% y-o-y in CY 2018, around 8% y-o-y growth in CY 2017. Imports continued to be a concern for domestic players, which accounted for nearly 60% of the market in FY 2018-19. Overall imports including scrap touched 2.3 Mt in FY 2018-19 from 2 Mt in FY 2017-18.

### Business

Your Company manufactures two major products:

- Aluminium rolled products in coil and sheet form.
- Aluminium Alloy Ingots

Your Company has vertically integrated certain parts of our operations across its product range. This has resulted in a reduction in manufacturing costs, greater control on quality and an expansion in the range of products.

## Overview of Operations

### Results

During the year under review, the total revenue of your Company stood at ₹ 27,760.78 lacs, as compared to ₹ 23,203.97 lacs during the year ended on March 31, 2018. The Company made a profit of ₹ 728.16 lacs as compared to a profit of ₹ 128.42 lacs during the year ended on March 31, 2018.

### Key Financial Ratios

In accordance with SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Company is required to give details of significant changes in Financial Ratios (i.e. change of 25% or more as compared to the immediately previous financial year) along with a detailed explanation thereof.

None of the Ratios except Net Profit Margin Ratio & Return on Net Worth has increased by 63% & 82% respectively due to reduction in cost of goods sold.

### Risks and Concerns

Your Company is actively though cautiously considering, growth opportunities and new markets for its products. The Company is exposed to a number of inherent market risks from its normal business activities. These risks include changes in raw material prices, foreign currency exchange rate, interest rate which may adversely impact the Company's financial assets, liabilities and/or future cash flows. The Company is trying to mitigate these risks by carefully planning an optimum sales mix, product diversification, innovation and penetration of domestic and international markets and active treasury management, Further cost saving measures across all segments of the Company, would help in improving the margins in an otherwise difficult market.

### Opportunities and Threats

A considerably wide geographical presence and reach, both domestic and international, have helped the Company to attempt de-risking its business and meet the risks with suitable precaution. The Company is focused on enhancing value added products. Improvement in safety performance is of utmost priority, for which the Company has constantly been initiating measures to avert accidents. The Company has sales and technical servicing offices at Delhi, West Bengal and Kerala.

### Projection for the Financial Year 2019-2020

The company continues to follow the various steps initiated in the previous financial year, for improving the profitability in the future years. These steps include:

- Undertaking major overhauling and revamping of Plant & Machineries to reduce cost of conversion.
- Initiating steps for cost reduction by curtailing certain costs like power & fuel, manpower, administration and scheduled repair & maintenance. Rationalizing contractual and also own employees to reduce manpower cost.
- Initiating steps for improving quality of Finished Products, to help in increasing the top line and customer satisfaction, leading to improved margins.
- Focusing on value added products by marketing color coated Aluminium Sheets /Coils, Embossed Sheet/Coils.
- The Company has successfully established a wide market in developed Countries like USA, Europe & Middle East which is underlying reason for expanding the production capacity by installing a new Caster in its Haldia Unit.
- Installation of new Caster will enhance the yearly production by 7800 Mt/ Year. The enhanced production is expected to start from mid of October, 2018 which will help to enhance the overall performance of the company.
- Trying to develop new suppliers of raw materials in Australia, UK, and other European countries for taking advantage of competitive rates and better quality.
- The Company is also expanding its domestic market Size with concrete focus on expanding sales in Northern and Southern Region of India.
- The Company has established a good market acceptance of our products in both Domestic & Export Market by delivering quality products.

### Internal Control System

The Company has an efficient system of internal controls which helps it to maintain both internal controls and procedures to ensure all transactions are authorized, recorded and reported correctly and also ensures proper disclosure and protection of physical and intellectual property. A firm of Chartered Accountants has been appointed by your Company as Internal Auditors for independently evaluating the adequacy of the internal controls on a regular basis. For effectiveness and transparency, the management duly considers and takes appropriate action on the recommendations made by Statutory Auditors, Internal Auditors and by Management Committee / Audit Committee of the Board of Directors. The company is operating on SAP Platform in order to have proper internal control procedure with the necessary authorization and “maker and checker” concept. This helps in correct recording of transactions and timely elimination and rectification of errors. The Company has appointed consultants/ professionals to conduct Cost Audit and Secretarial Audit and observations made, if any, are reviewed by the Management periodically and remedial actions initiated.

### Human Resources

Employee relations continued to be cordial throughout the year and recruitments were made commensurate with the needs of business. The Company employs about 282 people in all its facilities.

### Finance Cost

Finance Cost, during the year under review stood at ₹ 905.34 lacs, as compared to ₹ 689.69 lacs during the period ended on March 31, 2018. This increase is on account of increased investment by the Company in production related activities.

### Cautionary Statement

Statements in the Management Discussion and Analysis, describing the company’s objectives, outlook and expectation, may constitute “Forward Looking Statements” within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied expectations, projections etc. Several factors make a significant difference to the company’s operations, including climatic conditions, economic scenario affecting demand and supply, Government regulations, taxation, natural calamity and other such factors over which the company does not have any direct control.