

**MANAGEMENT'S DISCUSSION & ANALYSIS REPORT**

**a) Industry Structure, Development and Outlook:**

All around the world, more and more people are realizing the value of good health, fuelling rising interest in all the things that promote it. As population in the USA, Europe and Japan ages, more and more people are looking for healthy food options, natural remedies to cure them and elixirs that help them stay well into their twilight years. Health is just not a goal, it is both a lifestyle choice and a thriving consumer market.

Continued growth will be coupled with increased oversight and a tightening of regulations around manufacturing, product safety. Over the past year there has been a noted increase in FDA enforcement actions pertaining to food and dietary supplement labeling violations. Manufacturers will need to be more careful with the labels to avoid making either implied nutrient content claims of efficacy / health benefit claims. Tighter regulations will also be applied to manufacturing processes and practices in order to help ensure quality and safety of the products.

Globally the industry is valued over US \$ 300 Billion with roughly 30% of that in the USA. Growth is expected to remain strong through 2017 – between 5 – 6% a year both globally and in the USA.

**b) Opportunities and threats:**

There are several important factors driving and increased interest in healthy living and various products associated with it.

**An ageing population:** Their sheer numbers will shift spending in healthy food, health supplements, healthcare and realign markets, creating considerable new opportunities.

**The rise of the self-directed consumer:** Consumers are relying on alternative channels to identify targeted health needs. Today 96% of internet using adults have used online health information to help them take decisions throughout all parts of the health journey.

Strong category growth is expected to continue amid both increased consumer interest in healthier foods and health supplements. Manufacturers will need to closely watch regulatory shifts and adjust accordingly in order to avoid consumer backlash or supply disruption due to product quality concerns. Yet taking on these challenges is well worth it. The expansion of the space throughout the next decade offers unique opportunity for manufacturers to capitalize on a robust growth sector.

**c) Business performance:**

Spisys Limited has recorded revenue of Rs. 2303 lakhs and made a net profit of Rs. 59.58 lakhs against revenue of Rs. 2621 lakhs and a net profit of Rs. 252.90 lakhs in the previous financial year 2014-15.

**d) Internal Control System and its adequacy:**

The system of internal control has been established to provide reasonable assurance of safeguarding assets and maintenance of proper Accounting Records and its accuracy. The business risks and its control procedures are reviewed frequently. Systems audit is also conducted regularly to review the systems with respect to Security and its Adequacy. Reports are prepared and circulated to Senior Management and action taken to strengthen controls where necessary.

**e) Financial performance:**

Performance together with discussion on financial performance with respect to operational performance has been dealt with in the Directors report which should be treated as forming part of this Management Discussion and analysis.

**f) Human resources and Industrial relations:**

Your company continues to have cordial relations with its employees.