

ANNEXURE-III

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL RATIO:

Pursuant to amendment made in Schedule V to the SEBI Listing Regulations, details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in Key Financial Ratios and any changes in Return on Net Worth of the Company (on standalone basis) including explanations therefore are given below:

Sr	Particulars	F.Y. 2019-20	F.Y. 2018-19	% Changes
	PROFITABILITY RATIOS (%):			
1	Operating Profit Margin	4.57	5.63	-18.83
2	Net Profit Margin	1.83	2.07	-11.59
3	Return on Net Worth	6.08	5.59	8.77
	WORKING CAPITAL RATIOS:			
4	Debtors Turnover	9.78	7.04	38.92
5	Inventory Turnover	4.77	5.62	-15.12
	GEARING RATIOS:			
6	Interest Coverage	1.67	1.58	5.70
7	Debt / Equity	6.30	6.57	-4.11
	LIQUIDITY RATIO:			
8	Current Ratio	1.75	1.71	2.34

Return on Net worth ration is increased due to decreases Deferred Tax Provisions.

VALVE INDUSTRY STRUCTURE AND DEVELOPMENTS:

Valves are used to control or divert the flow of liquids, gases, slurries, dry material or steam in all types of industries. They are also used to control or isolate the rate of flow volume, pressure, direction or a combination of these parameters. There are only two known ways of controlling the flow of liquids and gases, and all valves are based on one of the two principles. Your Company's primary business is the design, manufacture and sale of Industrial valves, valve cores and accessories.

According to IMF, India's economy is estimated to have grown at 4.2% in FY20, significantly slower rate than in FY19. The slowdown can be attributed to ongoing stress among Non-Banking Financial Companies (NBFCs), which resulted in credit squeeze and negatively impacted consumption, investment and exports. The government announced several measures to revive the economy which includes capital infusion into public sector banks to improve liquidity and push credit offtake, merger of public sector banks to enhance credit capacity, reduction in policy rates, sharp cut in corporate tax rate, sops for real estate for last mile funding for stalled projects and support to NBFCs under the Partial Credit Guarantee Scheme. The Covid-19 pandemic has disrupted trade and manufacturing activity and brought the economy to a standstill. The Central Bank reduced policy rates and injected liquidity in the system to counter the looming threat of slowdown and kick-start the economy. The current estimates from various agencies suggest that Indian economy is expected to decline in FY21 on concerns over the impact of deadly coronavirus on the manufacturing and trading activity.

Global Automobile Industry U.S. auto sales declined slightly in 2019 on the back of tariff woes, increasing popularity of ride sharing services and rising car prices. Automakers sold more than 17 million vehicles in the U.S. for a fifth consecutive year in 2019 demonstrating underlying resilience. Low gas prices, favourable lending terms on the back of Fed rate cuts, low unemployment rates, healthy consumer sentiment and robust wage growth were tailwinds for U.S. auto sales in 2019. The National Automobile Dealers Association (NADA) has cut its forecast for U.S. new-vehicle sales in 2020 and

expects it to be between 13.0 million to 13.5 million as the coronavirus pandemic spreads across the U.S. Additionally, record amount of non-housing debt, slowing retail spending, worsening consumer credit and rising defaults are some of the key concerns for the US auto industry. According to European Automobile Manufacturers' Association (ACEA), the European new car registrations increased by 1.2% across the European Union, the seventh consecutive year of growth, reaching more than 15.3 million units. Despite starting the year on a weak note due to the lasting impact of the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) in September 2018, pre-buy towards the end-of-the-year ahead of regulation changes helped in pushing the full year growth higher. In December 2019, sales rose 21.7% which compensated for lower sales in the earlier months. Results were diverse among the five major EU markets, Germany (+5.0%) recorded the largest increase last year, followed by France (+1.9%) and Italy (+0.3%). By contrast, both Spain (-4.8%) and the United Kingdom (-2.4%) saw demand fall in 2019. Based on various market estimates Europe's auto sales is likely to contract by 25% due to coronavirus pandemic. The Global auto industry has entered into a new decade with unprecedented challenges and opportunities. The industry which was already reeling under tremendous pressure on the back of trade war and tough emission standards is now facing the heat of economic slowdown owing to the Covid-19 pandemic. However, growth is expected to pick up in the long term after the impact of the pandemic subsides. Going forward, stringent emission and safety standards, coupled with growing digitalization in vehicles is likely to result in increasing focus in the areas of Connectivity, Autonomy, Shared mobility, and Electrification of vehicles (CASE).

OPPORTUNITIES AND THREATS:

India is a growing economy, with an ever-increasing need for a robust transportation network to link its various metros and rural areas. Increase in the working age population, rising prosperity, easier access to finance and increasing affordability is expected to boost demand in the auto component industry. Economic slowdown due to the Covid-19 pandemic which has paralyzed manufacturing and trading activity has posed serious challenges for the industry in the current year. Moreover, technological changes and environmental regulation continue to weigh on the sector. The main threats to which auto component industry is exposed to are:

- Economic slowdown leading to contraction in demand remains one of the major threats which could lead to decreased volumes and capacity utilization.
- Continuing cost reduction demand from OEMs from whom the major portion of the future growth is expected to come.
- Increasing commodity prices and volatile forex movements.

SEGMENT-WISE PERFORMANCE:

There is no segment in the company.

OUTLOOK:

The spread of the coronavirus pandemic is likely to result in severe contraction in global economy resulting in job losses, weak demand environment and stress in financial markets. The auto sector which has been going through its worst slowdown with slump in demand amid weak consumer sentiment and an uncertain regulatory environment is likely to face further headwinds during the first half of the fiscal 2021 owing to adverse economic impact of Covid-19 and cost push from new emission norms. Moreover, exports could be impacted owing to challenges being faced by the global auto industry in terms of slowing demand. However, the impact of the pandemic is likely to remain in the short term. In the medium term the Indian auto component manufacturers have the opportunity to establish themselves as preferred manufacturing suppliers to the global auto industry. The Company is addressing operational performance in the short term to return to profitability. At the same time the company is keeping in mind the long-term sustainability of the business through investing in technology and growing our business in India and abroad. From a long-term perspective, the Company's growth might

be impacted as penetration of Electric Vehicles increases. While the Company does not believe the impact will be significant from a 5 to 7 year perspective, the management will be cognizant of this issue for the long term.

RISKS AND CONCERNS:

Apart from the normal business risk, no major risk is foreseen.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has proper and adequate systems of internal controls. Internal audits and checks are carried out at regular intervals. An audit committee, headed by an Independent Director, reviews control systems and their adequacy.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The details of the financial performance of the Company appear in the Balance Sheet, Statement of Profit and Loss and other Financial Statements. Highlights for the year 2019-20 are as under:

Particulars	Year Ended 31/03/2020	Year Ended 31/03/2019
Revenue from Operations	47,19,55,265	50,50,26,568
Other Income	32,01,992	45,70,919
Profit/loss before Depreciation, Finance Costs, Exceptional items and Tax Expense	3,01,34,191	3,76,60,384
Less: Depreciation/ Amortisation/ Impairment	85,27,920	92,06,138
Profit /loss before Finance Costs, Exceptional items and Tax Expense	2,16,06,271	2,84,54,246
Less: Finance Costs	1,29,68,602	1,79,82,566
Profit /loss before Exceptional items and Tax Expense	86,37,669	1,04,71,680
Add/(less): Exceptional items	0	0
Profit /loss before Tax Expense	86,37,669	1,04,71,680
Less: Tax Expense (Current & Deferred)	1,66,776	31,15,712
Profit /loss for the year (1)	84,70,893	73,55,968
Total Comprehensive Income/loss (2)	0	0
Total (1+2)	84,70,893	73,55,968
Balance carried forward	10,41,41,944	9,63,18,643

The financial performance of the Company has been explained in the Directors’ Report of the Company for the financial year ended 31st March 2020 appearing separately.

HUMAN RESOURCES:

Human Resources are a key focus area of the Company. The Company endeavours to attract and develop the best talent available in each area of its operations. The Company’s policy is to create a conducive environment for nurturing talent and developing the requisite skills needed to keep pace with the ever-changing needs of the market. Training is imparted to employees at all levels and covers both technical and behavioural aspects.

The Industrial Relations scenario during the year under review was smooth. The Company has an excellent track record in this regard and has maintained cordial relationships with all its employees.

CAUTIONARY STATEMENT:

Certain statements in the Management Discussion and Analysis describing the Company's views about the industry, expectations, objectives, etc ... may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Factors like supply and demand situations, input prices and their availability, changes in Government regulations, economic developments, etc. may influence the Company's operations or performance.

**By order of Board of Directors
Hawa Engineers Limited**

Date: September 2, 2020
Place: Ahmedabad

**Sd/-
Aslam Kagdi
Chairman
DIN: 00006879**

