

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### **A. BUSINESS OVERVIEW:**

**Shaival Reality Limited** (hereinafter referred as 'SRL') is a reputed Gujarat based company having its presence in the construction industry and transportation sector since many decades. SRL was incorporated as Shaival Reality Private Limited Company under the provisions of the Companies Act, 1956 on April 10, 1996 and is converted into a Public Limited Company w.e.f. February 04, 2015, listed on the SME Emerge Platform of the National Stock Exchange.

### **BUSINESS HIGHLIGHTS:**

#### **Turnover/Total Revenue:**

During the year 2018-19, the Company has generated total revenue of Rs. 15,74,23,941 on standalone basis, and as per consolidated basis, the generated total revenue is of Rs. 31,66,61,875.

#### **Employee Benefit Expenses:**

As per Standalone basis, Employees' Benefit Expenses is Rs. 1,47,22,221 during the year as against Rs. 19,176,183 during the previous year and as per consolidated Audit report, Employees' Benefit Expenses is Rs. 1,78,75,106 during the year as against Rs. 2,14,70,262 during the previous year.

#### **Finance Cost:**

As per Standalone and consolidated basis, the finance cost of the Company is Rs. 1,25,66,529 as against Rs. 1,29,54,418 during the previous year.

#### **Depreciation:**

As per Standalone basis, depreciation and amortization expenses is Rs. 3,95,23,883 as against Rs. 5,96,06,180 during the previous year. According to consolidated audit report, depreciation and amortization expense is Rs. 3,95,80,359 as against Rs. 5,96,75,224 during the previous year.

#### **Provision for Tax:**

Due to loss, the Company has not made any provision towards current tax for the financial year 2018-19.

#### **Profit/Loss after Tax:**

As per Standalone and Consolidated basis, the company has incurred a loss of Rs. 4,98,89,168 during the year as against Rs. 1,91,97,994 during the previous year.

#### **Earnings per Share:**

Basic and diluted earnings per share for the current year worked out to Rs. (4.31) as against Rs. (3.26) during the previous year as per standalone and as per consolidated basis EPS is Rs. (4.31) as against Rs. (3.26) during the previous year.

**FINANCIAL CONDITION:****Non Current Liabilities:**

The Company's Non Current Liabilities includes Long Term borrowings (Secured loans) of Rs. 29,26,52,755 and other long term liabilities of Rs. 26,09,522 as at 31<sup>st</sup> March 2019 as against Long Term Borrowings of Rs. 47,06,33,705 and Other long term liabilities of Rs. 26,09,522 as at 31<sup>st</sup> March 2018 (On Standalone and Consolidated basis).

**Current Liabilities:**

Company's Current Liabilities includes Short term borrowings of Rs.11,33,14,543, Trade Payables of Rs. 2,13,91,511, Other Current Liabilities of Rs. 12,26,095 and short term provisions of Rs. 2,13,61,491 aggregating to Rs. 15,72,93,641 as at 31<sup>st</sup> March 2019 against Rs. 20,15,03,075 during the previous year (On Standalone and Consolidated basis).

**Fixed Assets:**

Fixed assets at the end of the year is Rs. 10,03,13,113 as against Rs. 13,90,28,480 during the previous year.

**Current Assets:**

During the year, the Company has current assets of Rs. 6,65,59,210 as against Rs. 11,05,49,338 during the previous year.

**B. INDUSTRY STRUCTURES, DEVELOPMENT, OPPURTUNITIES & OUTLOOK:****(i) CONSTRUCTION:**

The Indian real estate market is expected to touch US\$ 180 billion by 2020. Housing sector is expected to contribute around 11 per cent to India's GDP by 2020. India is expected to witness an upward rise in the number of real estate deals in 2019, on the back of policy changes that have made the market more transparent.

The Government of India along with the governments of the respective states has taken several initiatives to encourage the development in the sector. The Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for the real estate companies. Below are some of the other major Government Initiatives:

- In May 2018, construction of additional 150,000 affordable houses was sanctioned under Pradhan Mantri Awas Yojana (PMAY), Urban.
- In February 2018, creation of National Urban Housing Fund was approved with an outlay of Rs 60,000 Crore (US\$ 9.27 billion).
- Under the Pradhan Mantri Awas Yojana (PMAY) Urban 1,427,486 houses have been sanctioned in 2017-18. In March 2018, construction of additional 3,21,567 affordable houses was sanctioned under the scheme.

These all can be considered as a growth driver and game changer for the Industry and the Organization.

**(ii) TRANSPORT:-**

During the last two years, with an intention to procure tenders from Public Sector Oil

Marketing Companies, the Company has doubled the size of the fleets in transportation division, which have amplified the financial stress on the Organization. Further, the Liquid Petroleum and other Gas Transportations are also very much prone to risk and uncertainties. Therefore, with the object to marginalize the uncertainties and risks prone to this LPG Transportation and avoid any further financial stress on the Company, the Management is considering proposal to restructure the business of the Company, which might lead to hive off the whole transportation division from Shaival Reality Limited.

**C. SEGMENTWISE FINANCIAL & OPERATIONAL PERFORMANCE:**

SRL operates mainly in three segments of revenue – Construction, Transportation & Renting. The details on financial performance of the same forms the part of the Financial Statements and is been time to time disclosed to the Stock Exchange.

**D. SWOT ANALYSIS:**

The Company is nowhere ignorant about the risks and threats encounter in these highly competitive and volatile sectors and even can't deny the speculation rose due to the frequent changes in the legal, economic and fiscal policies by the Government among the consumers, investors and stakeholders.

**a) RISK AND CHALLENGES ARE:**

**In Construction Segment:**

- Amendments in legal, economic and fiscal policies by the Government.
- Amendments in Regulatory and tax structures.
- Fluctuations in the policies as well as competitions faced due to new entrants in the Govt. tenders.
- Our ability to identify suitable projects and execute them in timely and cost effective manner.
- Shifting of workforce.

**In Transport Segment:**

- Increasing price of Fuel and labour
- Amendments in economic policies by State and Central Government.
- Higher Burden of toll taxes and other taxes.

**In Rent Segment:**

- Vacation of properties by the current tenants with intent to have owned estate.
- Economic Downturn due to changes in fiscal policies
- Massive Competition mainly regarding the supply of space/properties.
- Inaccurate Scrutiny of the roots of the tenants, etc.

**b) STRENGTH:**

SRL is very much optimistic about its growth, expansion and strong hold in years to

come. The basic strength which drives the organizational potential are:

1. Experienced board members & active team
2. Collaborative relationship with the stakeholders & investors
3. Curiosity, Innovation and inclination towards technological advancement
4. Calculative Risk taking approach.

**E. HUMAN RESOURCES MANGEMENT:**

Management is successfully indulge in building experienced team and nurtures them to be leaders. The HR Department is specifically monitored by our Senior Management with an aim to build trust, integrity, teamwork, innovation, performance and partnership. Various Departments are headed by Professional Qualified Personal, helping our business to remain competitive, achieve greater success and newer milestone.

**F. RISKS AND CONCERNS:**

Your company is mainly focusing on manpower and the intelligence. Apart from the risk on account of governmental policies and regulatory changes, business of the company are exposed to certain operating business risks, which is mitigated by regular monitoring and corrective actions. The company has taken necessary measures to safe guard its assets and interest etc.

**G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

As per the provision of Section 138 of the Companies Act, 2013, the Company has devised a proper system to check the internal controls and functioning of the activities and recommend ways of improvement. Internal Audit is carried out on timely and the report is placed in the Audit Committee Meeting and Board meeting for consideration and directions. The internal financial controls with reference to financial statements as designed and implemented by the Company. During the year under review, no material or serious observation is received from the Internal auditor of the Company for inefficiency and inadequacy of such controls.

**CAUTIONARY STATEMENT:**

Statement in this Management's Discussion and Analysis detailing the Company's objectives, projections, estimates, expectations or predictions are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Due to various risk factors and uncertainties, we are not under obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events and assume no liability for any action taken by anyone on the basis of any information contained herein.