

## ANNEXURE- III

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

To,  
The Members  
YUG DECOR LIMITED  
Ahmedabad

#### INDUSTRY STRUCTURE AND DEVELOPMENT:

There is no change in the industry structure as reported by the Company last year. The Company operates under a single segment i.e. Manufacturing of Adhesives and Sealants under the Brand name “YUG-COL”. The Adhesive business of the Company is further bifurcated into two kinds of Adhesives that are Wood Adhesives and Rubber Adhesives. Wood Adhesives are primarily used in sports industry, furniture industry, handicrafts, paper and paper products, textile industry etc. Whereas, Rubber Adhesives are used in Furniture and Footwear Industries. They can also be used in upholstery and fixing laminate sheets to wood and other surfaces. The adhesives market, with its demand in end applications, has witnessed considerable growth over the past few years and this growth is estimated to increase in the future. Paper products and building constructions are the major applications driving the overall revenue. Key players all over the world have invested huge capital to develop enhanced products, which help to meet the current demand. The Company had continued to remain focused on providing quality products to sustain its business and performed satisfactorily on Indian market and done reasonably well on export front too.

#### OUTLOOK:

The Financial Year 2020-21 started off on an unprecedented note with complete lockdown implemented in India as well as lockdowns/ business restrictions across larger parts of the world due to the COVID-19 pandemic. Hence the overall outlook for the coming period looks grim. The Company operates in the furniture and footwear industry. Amidst the pandemic outbreak, the demand for Company’s products, being non essential item, could be put on hold by its customers. Recovery of demand locally & globally both will depend on a combination of consumer spending, supply-side restrictions driven by safe working requirements and the penetration of government stimulus into the wider economy. Also, without compromising with the safety and health of all its employees, the Company is positioning its best efforts to retain its improved performance by reducing its cost and increase its market penetration to negate the effect of pandemic on its business.

During the year under review, the Company has shown reasonable overall growth in terms of revenue and profitability, despite of losing considerable business at the end of the year due to COVID-19 pandemic.

#### FINANCIALS:

- The Total revenue of the Company during the Financial year 2019-20 was ₹ 17,42,20,371/- against the total revenue of ₹ 17,06,33,916/- in the previous financial year 2018-19.
- The Total expenses of the Company during the financial year 2019-20 was ₹ 15,84,00,311/- against the expenses of ₹ 16,94,15,818/- in the previous financial year 2018-19.
- The Profit after tax was ₹ 59,49,888/- for the financial year 2019-20 as compared to the Loss after tax of ₹ 57,63,630/- in the previous financial year 2018-19.

The turnaround position of profitability is assignable to the increase in revenue, raw material cost optimization and reduction in finance cost.

**Key Financial Ratios: (in times/ %)**

Sr. No.	Ratio	2019-20	2018-19
1.	Debtors Turnover (times)	2.29	2.36
2.	Inventory Turnover (times)	10.2	11.39
3.	Interest Coverage Ratio (times)	4.06	-1.06
4.	Current Ratio (times)	1.97	2.05
5.	Debt Equity Ratio (times)	1.11	0.94
6.	Operating Profit Margin (%)	6.15	-2.35
7.	Net Profit Margin (%)	3.42	-3.38
8.	Return on Net Worth (%)	9.78	-9.49

There is significant change (i.e. change of 25% or more as compared to the immediately previous financial year) in the following key ratios:

**Detailed explanations of key ratios****i. Interest Coverage Ratio:**

Significant change in the interest coverage ratio as compared to the last year's figures is due to increased Earnings before interest and taxes (EBIT) and reduction of interest expenses in comparison to the previous financial year.

**ii. Operating Profit Margin:**

Significant change in Operating Profit Margin is due to increase in revenue from sales, and raw material cost optimization in current financial year compared to last financial year.

**iii. Net Profit Margin and Return of Net Worth:**

As a reason of increase in the revenue and potential increase in net profit of the Company in the current financial year as compared to net loss in the last financial year, the figures above show improved net profit margin and return on net worth.

**OPPORTUNITIES AND THREATS:**

At this point of time, what could best serve as an opportunity for the Company is the fall in crude prices has an impact on certain raw materials also. Reduced raw material costs give the benefit of optimization to the Company by providing quality products to its customers at lower cost and increase in its margin.

In increasing domestic market, the company may fall victim to competition resulting in reduced order book position leading to thinner profitability. The Company's constant thrust to maintain consistent quality, the ability to cater to the market driven product mix coupled with healthy brand image and efficient marketing strategy reduces the risk of competition and protects the market share of the Company.

**RISKS AND CONCERNS:**

Risk management is an integral part of the Company's operations. All the risks are regularly reviewed and focused approach is undertaken to mitigate the risks to curtail its impact on the operations of the Company.

The Company by virtue of extending credit to its customers is exposed to credit risk in terms of non realization of book debts and delayed recovery of receivables thereby posing unexpected cash flow issues. The effective risk management practices of the Company includes regular evaluation of creditability of customers, frequent review of credit limits of the customers and fixing/ tightening of credit limits according to the track record of the customers.

The disruption in specialty chemical industry has cascading effects on various other sectors. Uneven demand has been observed for the Company's products since the pandemic outbreak. The Company will need to make well informed strategic changes and restructure its business to navigate this uneven demand scenario until the threat of the pandemic is over and industry dynamics return to pre-outbreak levels.

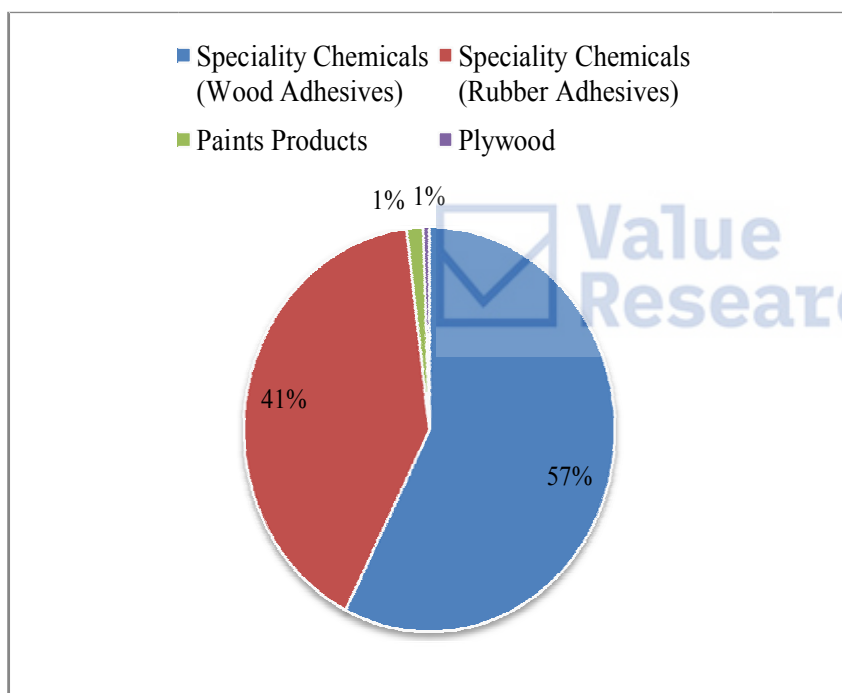
**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company’s internal control systems are commensurate with the nature of its business and size and complexity of its operations. Appropriate internal control policies and procedures have been set up to provide reasonable assurance on the following objectives:

- Effectiveness and efficiency of its operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Prevention and detection of frauds and errors
- Safeguarding its assets

Compliance to these policies and procedures is an integral part of the management review process. Adequacy and effectiveness of these internal controls are routinely tested by internal auditors based on their risk-based audit plan. The Audit Committee of the Company periodically reviews the adequacy and effectiveness of the Company’s internal financial controls and the implementation of audit recommendations.

**SEGMENT WISE PERFORMANCE OF THE COMPANY ON THE BASIS OF SALES VOLUME:**



**During the Financial Year under review:**

- Wood Adhesives made highest contribution to the sales revenue with 57% sales in proportion to the total sales.
- Rubber Adhesives made the 2<sup>nd</sup> highest contribution with 41% sales in proportion to the total sales.
- The sales volume attributed to the Paints and Plywood segment were at par with 1% each.

As already conveyed to the shareholders through the last year’s annual report, the Company had made up its mind to primarily build up on the adhesives business. During the year under review, the Company had discontinued its operations in paints unit w.e.f. 17<sup>th</sup> May, 2019. The Company is pleased to inform that it has witnessed an overall growth of nearly 2% in the current financial year as compared to the last financial year. Furthermore, a growth of 8.09% particularly in the adhesive business, vouches for the prudent decision made by the Company by dwelling upon it for the time being.

**MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS INCLUDING NUMBER OF PEOPLE EMPLOYED:**

The Company considers its human capital a critical factor to its success. In line with the Company's philosophy of continuously harnessing employee potential and developing them to become more capable professionals and future leaders, the Company has been continuously focusing on developing a more effective and comprehensive strategy to address the key aspects of Human Resource Management. The Company has a favorable work environment that motivates performance, encourage customer oriented focus and innovation while adhering to the highest degree of quality. During the year under review, the Industrial Relations continued to remain cordial.

The total number of employees on the roll of the Company as on 31<sup>st</sup> March, 2020 was 60.

**CAUTIONARY STATEMENT:**

Certain statements in the reports of the Board of Directors and Management's discussions and analysis may be "forward-looking statements" within the meaning of applicable securities laws and regulations. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market positioning, expenditures and financial results are based on certain assumptions and expectations of future events. The Company's actual results, performance or achievement may thus differ materially from those projected in such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent developments, information or events.

By Order of the Board of Directors  
**YUG DECOR LIMITED**

Date: 8<sup>th</sup> August, 2020  
Place: Ahmedabad



**Chandresh S. Saraswat**  
Chairman & Managing Director  
DIN: 01475370