

Annexure A

Management & Discussion Analysis

Economic Overview

The world has changed dramatically. Both advanced economies and emerging market and developing economies are in recession. Major economies have also been significantly downgrade. A rare disaster, a coronavirus pandemic, has resulted in a tragically large number of human lives being lost. As countries implement necessary quarantines and social distancing practices to contain the pandemic, the world has been put in a Great Lockdown. The magnitude and speed of collapse in activity that has followed is unlike anything experienced in our lifetimes. This is a truly global crisis as no country is spared.

The global economy is entering the downturn phase of the credit cycle, which is marked by declines in economic activity and corporate profits. Long-term US Treasury yields continued a multi-decade downtrend during the last economic expansion, the longest in US history. Corporate profits at the equity index level are widely expected to decline across the globe in 2020.

Major events included the Russia–Saudi Arabia oil price war that resulted in a collapse of crude oil prices and a stock market crash in March 2020. However, the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis.

While the shock is of unknown depth and duration, it is known that the containment measures and social distancing mechanically bring economic activity to a halt. The impact on economic activity will likely be sharp and deep.

Industry Structure and Developments

COVID-19 is disrupting consumption patterns and business activity across the globe. Equity markets have already discounted a mild downturn in the global economy. Coronavirus recession refers to an economic recession which may happen across the world economy in 2020 due to the 2019–20 coronavirus pandemic. Economic turmoil associated with the coronavirus pandemic has wide-ranging and severe impacts upon financial markets, including stock, bond and commodity (including crude oil and gold) markets. But growing risk aversion across the world triggered heavy selloffs in equity markets, including in India in March, as per the RBI report. Indian markets, in line with global indices, is trying to stabilize for now in spite of the escalating health risks worldwide.

Countries reliant on tourism, travel, hospitality, and entertainment for their growth are experiencing particularly large disruptions. Emerging market and developing economies facing additional challenges with unprecedented reversals in capital flows as global risk appetite wanes, and currency pressures, while coping with weaker health systems, and more limited fiscal space to provide support. Moreover, several economies entered this crisis in a vulnerable state with inactive growth and high debt levels.

Global financial markets remain volatile, and emerging market economies are dealing with capital outflows and volatile exchange rates. The outlook for domestic financial markets is highly uncertain, given the strong capital outflows. The stock market was buoyant till mid-January against the backdrop of a fall in oil prices, recovery in industrial output in November, higher GST collection and expansion in manufacturing Purchasing Managers' Index (PMI) in December, which pushed Sensex to a record close in January, 2020. While other commodities are down, gold has gone up because of the demand for a safe haven in uncertainty. The impact gold rally will be more for Indian investors because of the fall in rupee now.

This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level it was projected for 2021, before the virus hit. Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, global growth in 2021 is projected to rebound to 5.8%.

Opportunities and Threats.

Your Company being an Investment Company it seeks opportunities in the capital market. The unpredictability in the stock indices in the financial year under report represents both an opportunity and challenge for the Company. The global nature of the pandemic, coupled with its high intensity and long duration, will fundamentally alter the business landscape through changing trade flows, asset prices and consumption patterns. This will impact all key stakeholders, including banks, financial institutions, investors and corporates. The need of the hour is to put in place a comprehensive action plan that addresses potential impact, from short-term cash flow concerns to longer term balance sheet adjustments.

Global markets enter a new decade insecurely balanced. Slowing growth, deteriorating profitability and high debt levels risk tipping the scales, while low rates and resilient consumption offer support. The government, along with the central bank, has already been working on multiple fronts to battle the pandemic. The RBI has taken a number of steps to ensure normal business functioning by the entire banking sector. As a result, the payment infrastructure is running seamlessly.

However, the management took possible steps to cash in on various opportunities and at times also observed closely which may lead to the erosion of investments.

The food processing has become an integral part of the food supply chain in the global economy, and India has also seen growth in this sector in the last few years. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

India's export of food products to abroad is gradually increasing. Indian is also a leading market for food related raw materials in the world. The online food ordering business in India is in its nascent stage, but witnessing exponential growth. It is increasingly becoming evident that only a vibrant food processing sector can lead to increasing farm gate prices and thus increase income levels, reduce wastages and increase employment opportunities. As India has liberalized its overall policy regime with specific incentives for high priority food processing sector, provide a very conducive environment for investments and exports in the sector

There is huge opportunity amid this Covid-19 crisis for Indian food sector. The coming few months is crucial for leveraging to the India's advantages in terms of exports.

Although supplies of staples, fruits and vegetables have been adequate during the COVID-19 outbreak so far, still there are threats to food security, in the long term, restrictions on transportation and movement of people have already led to some food logistic challenges. Yet the impact of the outbreak will spill over to food processing industries, which have suspended production. Supply of processed food remains relatively abundant for the time being, but production may be affected by a manpower crunch and falling demand for agricultural products. Thus, the Company is thriving to be constructive and productive embracing quick, smart and innovative approach which is significant to improve productivity, bridging between health shock and economic shock.

With an intent to optimize the deployment of fund and capital across the core business of the Company and its subsidiaries, will enable your Company to create ongoing incremental value and sustainable business growth.

Performance

The Company operates in single segment which is to invest, deal etc in securities. The businesses of the Company are carried out by its wholly-owned subsidiaries. The first three being wholly owned subsidiaries of the Company viz: OSM Investment & Trading Company Limited; Champaran Marketing Company Limited; Hargaon Investment & Trading Company Limited and are registered NBFC with RBI and primarily engaged in investment activities and whereas Hargaon Properties Ltd is a step down subsidiary engaged in investment of properties and the other wholly owned subsidiary Allahabad Canning Ltd is engaged in the Food Processing Business thereby producing all types of Canned Fruits & Vegetables, Jams Jellies, Marmalades, Juices, Tomato Ketchup/Puree/Sauce, Vegetable Sauces, Squashes, Breakfast cereals like cornflakes, choccos, white oats etc.

The Company aims to create sustainable vision to grow the business and make long-term strategic investments in various new ventures promoted by the Company and its subsidiaries.

Apart from its operations in investment in securities including through its Wholly Owned Subsidiaries, the Company also continues to be engaged in business of food processing through its subsidiary Company i.e Allahabad Canning Limited. There has been no change during the year under review in the nature of business pursued by the Company.

During the Financial Year 2019-20, the Company incurred a loss after tax of Rs. 9.65 lakhs on standalone basis. On consolidated basis the loss after tax stood at Rs. 193.53 lakhs.

Disclosure

The Disclosure w.r.t. details of significant changes in key financial ratios as stipulated under Regulation 34(3) read with Schedule V Clause B of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

| | 31.03.2020 | 31.03.2019 |
|--|------------|------------|
| (i) Debtors Turnover | 0 | 0 |
| (ii) Inventory Turnover | 0 | 0 |
| (iii) Interest Coverage Ratio | N.A | 0 |
| (iv) Current Ratio | 0.75 | 0.85 |
| (v) Debt Equity Ratio | 6.71% | N.A |
| (vi) Operating Profit Margin (%) | N.A | N.A |
| (vii) Net Profit Margin (%) | Loss | 19.20% |
| (j) details of any change in Return on Net Worth | Loss | 0.72% |

Outlook

Financial markets across the world are experiencing extreme volatility, global commodity prices, especially of crude oil, have declined sharply. COVID-19 would impact economic activity in India directly due to lockdowns, and through second round effects operating through global trade and growth. The impact of COVID-19 on inflation is ambiguous, with a possible decline in food prices likely to be offset by potential cost-push increases in prices of non-food items due to supply disruptions.

COVID-19, the accompanying lockdowns and the expected contraction in global output in 2020 weigh heavily on the growth outlook. The actual outturn would depend upon the speed with which the outbreak is contained and economic activity returns to normalcy. Significant monetary and liquidity measures taken by the Reserve Bank and fiscal measures by the government would mitigate the adverse impact on domestic demand and help spur economic activity once normalcy is restored. Risks around the inflation projections appear balanced at this juncture and the tentative outlook is benign relative to recent history. But COVID-19 hangs over the future, like a spectre.

The RBI will monitor the evolving situation continuously and use all its instruments to address the daunting challenges posed by the pandemic. The overarching objective is to keep the financial system and financial markets sound, liquid and smoothly functioning so that finance keeps flowing to all stakeholders, especially those that are disadvantaged and vulnerable.

Regulatory measures that have been announced so far are merged into the objective of preserving financial stability. The Reserve Bank has been proactively taking measures to address the systemic liquidity issues through a swing of monetary and market operations. In the period ahead, inflation could recede even further, barring supply disruption shocks and may even settle well below the target of 4 per cent by the second half of 2020-21. Such an outlook would make policy space available to address the strengthening of risks to growth and financial stability brought on by COVID-19. In these conditions, forecasts are hazardous as they are subject to large revisions with every incoming data on the pandemic.

Internal Control Systems and Their Adequacy

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The Audit Committee periodically reviews the efficacy of Internal Financial Control Systems and risk mitigation process. Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place and considered adequate.

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilization of resources and effective monitoring thereof and compliance with applicable laws. The Internal Auditors were suggested with audit plan based on the risk profile of business activities of the organization, which were approved by the Audit Committee. The adequacy of the internal control system is reviewed by the Audit Committee of the Board of Directors. The efficacy of the internal checks and control systems are verified by the Internal Auditors as well as the Statutory Auditors. The Audit Committee reviews the internal audit plan, adequacy and effectiveness of the internal control system, significant audit observations and monitors the sustainability of remedial measures.

Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place and considered adequate.

Human Resources

Steps have been taken to inculcate a performance-oriented culture by focusing and laying more emphasis on the performance management system. It has been Company's endeavour to attract talent from the most reputed institutions to meet the requirements of various functions. The Company will strengthen its operative staffs as and when need arises.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's outlook, objectives, projections, estimates and expectations may be 'forward looking statement' within the meaning of applicable laws or regulations. Actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations include changes in Government regulations and tax-regime, economic developments within India and abroad, financial markets, etc. The Company assumes no responsibility in respect of forward-looking statements that may be revised or modified in future on the basis of subsequent developments, information or events. The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 2013 (the Act) and comply with the Accounting Standards notified under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006. The management has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profit/ loss for the year. The narrative on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.