

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. OPERATIONS OF THE COMPANY AND BUSINESS OVERVIEW:

The Company is an ISO 9001, 18001 & 14001 certified Construction Company with PWD class 1A unlimited certificate. It provides integrated engineering, procurement, and construction services (EPC) for civil & structural construction and infrastructure sector project. The Company was incorporated on April 29, 2009 and started construction activities in the same year. Head office of the Company is located in Pune and currently project sites are located in state of Maharashtra and Goa.

Currently construction activities being undertaken by us include civil & structural construction and infrastructure projects, which are awarded by various government and private agencies and departments.

The Company is also engaged in trading of construction materials. Our trading products majorly include steel, cement and electrical material.

Our main focus area includes:

- Civil construction projects, which include structures such as Metro Stations, Sports Complex project (indoor and outdoor sport stadiums), Hospital, multipurpose hall, commercial structures, Cold Storages, Educational Institutions, mass housing projects.
- Water supply and drainage project.
- Road and Bridge projects.

The Company also subcontract specific construction and execution work related to projects to third party contractors. Sometimes the Company executes the project throughout third party vendor contractor to whom we subcontract construction and other execution work related to project. In last few years the dependence on third party contractor is reducing continuously as the Company has been continuously developing and strengthening its own execution capabilities and working continuously to strengthen its infrastructure, enhance its presence and building the capabilities to execute end-to-end project on our own.

2. COMPANY PERFORMANCE:

During the year under review, your Company earned revenue of Rs. 10260.70 Lacs (previous year Rs. 10035.60 Lacs) and the Profit before Tax is at Rs. 552.68 Lacs (previous year Rs. 617.33 Lacs) and Profit after Tax is at Rs. 414.54 Lacs (previous year Rs. 447.23 Lacs).

3. INFRASTRUCTURE SECTOR IN INDIA:

Infrastructure sector plays an important role in the growth and development of Indian economy. Nearly, 9% of India's GDP is spent on Infrastructure services. Infrastructure and construction sector has the 2nd largest share in FDI inflows. As infrastructure is highly responsible for propelling growth of other sectors and India's overall development, Government of India is giving huge impetus for development of Infrastructure and construction services through focused policies such as National Infrastructure Project Pipeline (NIP) of Rs. 102 Lakh Crore to make India a \$5 trillion economy, open FDI norms, large budget allocation to Infrastructure sector, Smart cities mission, etc. Looking at the scale of India's infrastructure deficit, this is a step forward. This indicates that the next few years are likely to see increased public spends in the areas of infrastructure development projects and our company is poised to capitalize on these opportunities in the future.

Since the company mainly works in the construction of Government projects, a significant portion of income is derived from government. There has been rising in the trend in the spending by government on various infrastructure projects.

4. MANAGEMENT SYSTEM:

The Company continues to focus on efficiencies in project execution in terms of lower costs, optimized overheads, on time schedule and higher turnover per person, while maintaining a strong focus on managing working capital in a tight cash environment without compromising in Quality of the Project. It has an on standards stipulated by ISO 9001:2015 for Quality.

The Company got the latest certification ISO 9001:2015 and ISO 14001:2015 for Environment standard and BS OHSAS 18001:2007 for Occupational Health and Safety. The Company strongly believes in delivering quality products to its customers and has established Quadra (ERP) module at all sites for monitoring quality delivery of project and functioning of company.

The Company has put in place an effective monitoring process to fulfill its commitment to significantly reduce impact on the environment during project execution. Customer feedback is sought every quarter on the company's performance on various parameters of project delivery.

5. COVID-19 OUTBREAK AND PROSPECTS OF THE COMPANY

In the last month of Financial Year 2019-20, the coronavirus ('COVID-19') Pandemic developed rapidly into a global crisis forcing the State and Central Governments to enforce lock downs, which may have uncertainties in the economic and business scenario during the current year.

The Construction Sector we serve has a massive disruption due to the COVID-19 pandemic. The World Bank predicts that the Indian economy to contract 3.2% in the FY 2020-21, a sharp downgrade from its April projection of 1.5% - 2.8% growth citing stringent lockdown and spill over from weaker global growth.

Against all these backdrops, the Company is collaborating with our clients on delivering out commitments. Most of our projects sites are active post lockdown with due precaution and safety measures. The business operations have recommenced on a limited scale post relaxation of lock down.

The management has taken in to account the possible impact of known events, up to the date of approval of financial statements for the year ending on 31 March 2020, arising from COVID-19 Pandemic on the value of assets and liabilities. However, their exists significant estimation uncertainty in relation to future impact of COVID-19 pandemic on the Company and accordingly, the actual impact in the future may be different from those presently estimated.

The company has taken a series of measures to mitigate these crises including safety and security of all staff and labors at project sites by providing work from home policy, online meetings, travel restrictions, health advisory; also controlling overheads at all operation levels, controlling working capital requirement with cash flow planning and measured project execution.

The Construction sites and the Head office have started working and following measures are taken to comply with government guidelines on COVID 19:

- Thermal screening at entry points;
- Heightened cleaning and sanitizing the premises and desktops and publicly touchable areas on regular basis and availability of sanitization materials at entry point;
- Maintenance of social distancing and restriction on outsiders/visitors to enter the office premises;
- Enforcing wearing of masks for employees and visitors;
- Ban on all but critical travel;

The Company will continue to monitor any material change to the future economic conditions and consequential impact on the financial results. However, the Company expects to earn lower revenue in the Financial Year 2020-21.

However, with the strong business processes in place and its accurate management of operating costs, the Company is expected to emerge from the current environment in a positive position, while protecting its employees' health, its sound financial balances and the potential of its economic activities. The analysis of the liquidity over the next 12 months has not identified any such elements that could affect the going concern of the Company.

In the short term, the Company is reducing discretionary expenditure and reallocating resources. As part of these mitigation measures, the Company is stopping or deferring various expenditures that will not be effective in the current environment.

6. CONCERNS AND THREATS:

The Company bids for Government infrastructure projects and most of government expenditure on infrastructure are tender based. Most of the tenders have two bids technical and financial bids. The bids are normally awarded to those who qualify the technical bid and bid lowest amount. Thus, the business of Company and financials are dependent on the ability to secure tenders on profitable basis. However, the Company has expertise in the infrastructure field, strengthening its understanding of project bidding. Also an increase in net worth has enabled it to qualify for larger projects.

The major raw materials are cement and steel. Many of the Company's contracts are to be completed in more than 12 months. The long duration of such contracts exposes the Company to the changes in the price of key raw material. The increase in prices of these raw materials increases our expenditure hence our profitability to the authority for non-full filing our commitment.

The Company requires skilled and technical staff for all projects. The Company takes up various projects based on availability of right mix of manpower. Thus, our growth is likely to be affected by the ability to attract and retain skill and technical manpower.

There is always a risk of not able to complete a project within the established time frame. For the purpose, the Company opts for selective bidding. The interplay of knowledge and hands-on commitment has accelerated workflow. The company enjoys an attractive record in timely project completion.

Sometimes, people constraints may affect operational robustness, for that the Company has an effective control system along with performance-driven HR metrics and a dynamic organizational structure to enhance people retention and competent project delivery.

One more factor is inability to manage working capital which can affect the Company's reputation. In order to avoid that, the Company selects to bid for projects with central and multi-lateral funding that ensures that projects are sustained, in turn protecting the company's cash flows.

Also, prolonged realization can affect the revenue generation of the company. Here, the Company aims for bottom-line growth, enhancing margins and business sustainability. The Company has selected to bid for projects with an attractive hurdle rate, strengthening viability.

Our company is regulated by the Companies act and some of its activities are subject to supervision and regulation by statutory and regulatory authorities. It is therefore subject to change in Indian law, as well as to changes in regulation and government policies and accounting principles.

At the current scenario of COVID-19 pandemic, risk of spread of virus and infection to the staff on site, office and labor. However, strong control measures are put in place with the strict follow of government instructions regarding safety precautions as described in point no. 6 above.

7. INTERNAL CONTROLS SYSTEM AND THEIR ADEQUACY:

The Company has in place adequate internal controls system to ensure operational efficiency, accuracy and promptness in financial reporting and compliance of various laws and regulations. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

The internal controls system is supported by the internal audit process. An Internal Auditor has been appointed for this purpose. The Audit Committee of the Board reviews the Internal Audit Report and the adequacy and effectiveness of internal controls periodically.

Normal foreseeable risks of the Company's assets are adequately covered by comprehensive insurance. Risk assessments, inspections and safety audits are carried out periodically.

8. SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS:

As on 31 March 2020, the Company has one subsidiary, i.e. Univastu HVAC India Private Limited.

The Consolidated Financial Statements of the Company and its subsidiary, prepared in accordance with generally accepted accounting principles (GAAP) and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013. The significant Accounting Policies which are applied have been set out in Notes in the Financial Statement.

A statement containing the salient features of the Financial Statement of the subsidiary company is attached to the Financial Statements of the Company in Form AOC-1.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the Financial Statements along with relevant documents of the Company and its subsidiary, are available on the Company's website, viz., www.univastu.com.

The Financial Statements of the subsidiary and related detailed information will be kept for inspection by any member at the Registered Office of the Company and will also be made available to the members on demand, at any point of time.

BRIEF HIGHLIGHTS OF BUSINESS OF SUBSIDIARY COMPANY:

Univastu HVAC India Private Limited ("Subsidiary Company") incorporated on 11 October 2018 with paid up capital of Rs. 1,00,000. The Subsidiary Company is in the business as construction contractors, Project contractors, Project executors, contractors, traders, dealers, distributors, agents, designers, supervisors, consultants, advisors, surveyors and administrators of all types heating, ventilation, and air conditioning (HVAC).

This being second year of operations, the subsidiary company has showed remarkable upward curve in performance.

During the year under review, Univastu HVAC India Private Limited earned an income of Rs. 743.01 Lacs (previous year Rs. 125.50 Lacs) and the Profit before Tax is at Rs. 31.76 Lacs (previous year Rs. 8.70 Lacs) and Profit after Tax is at Rs. 24.51 Lacs (previous year Rs. 6.44 Lacs).

9. DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS:

There are no significant changes, i.e., change of 25% or more, as compared to the immediately previous Financial Year in key financial ratios.

10. RETURN ON NET WORTH:

Details of change in Return on Net Worth as compared to the immediately previous Financial Year as follows:

Particulars	Ratio as on 31 March 2020	Ratio as on 31 March 2019	% of Change Explanations
Return on Net worth (PAT/Paid up Capital+Reserves & Surplus)	17.62	23.08	Refer Note No. 1

Note:

- Return on net worth has reduced from 23.08 to 17.62 on account of reduced margin during the year.

11. HUMAN RESOURCE

On a note of adapting deliberate and productive execution, HR at the Company is dealing with various business angles that ultimately help in successfully managing personnel and increasing workforce' value. It is an eminent role of Human resources to inculcate organization's core values within and get the inner and outer force driven with zeal and passion. The team is consistently focused towards excellent and qualitative output, and is trained for the required technical and soft skills.

After completion of almost a decade plus year the company believes to hire the best force to make an outstanding Technical Team, moreover the organization has hired the skills and talents, considering 'competencies' at its stem. The employee turnover has witnessed middling change, with an addition of team-players, giving an average highest count of 150 employees during the year. This year the Company has focused more to make our human resource more 'Smart and Digital'.



For and on behalf of the Board of Directors

Mr. Pradeep Khandagale
Chairman and Managing Director

Mrs. Rajashri Khandagale
Non-executive Director

Place: Pune

Date: 25 August 2020