

**MANAGEMENT DISCUSSION AND ANALYSIS****Indian Metals and Mining Industry Analysis –**

India is the third-largest steel producer in the world. In 2015, India produced 91.46 million tonnes (MT) of finished steel. Driven by rising infrastructure development and growing demand for automotives, steel consumption is expected to reach 104 MT by 2017. During the month of September 2016, the consumption of finished steel was estimated at 6.7 MT, showing a significant improvement of 7.6 per cent year-on-year growth. India's steel production is expected to increase from 100 MTPA to 112.5 MTPA by FY16 and 300 MTPA by 2025. The Government of India has allowed 100 per cent foreign direct investment (FDI) in the steel sector under the automatic route. To meet the target of 300 MT capacities by 2025, the Government is planning to come up with a new and dynamic steel policy for the sector. The government is also planning to create independent regulators for steel and mining sectors. A new scheme, 'The scheme for the promotion of R&D in the iron and steel sector', has been approved with budgetary provision of US\$ 24.6 million to initiate and implement the provisions of the scheme as per the 11th Five-Year Plan which has continued in the 12th Five Year Plan. The development of technology for Cold-Rolled Grain Oriented (CRGO) steel sheets and other value-added products is also included under the policy purview and is allocated US\$ 6.7 million. Iron & Steel Industry in India Source: <https://www.ibef.org/industry/steel.aspx> Introduction India was the world's third-largest steel producer in 2016.

The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels. Source: <https://www.ibef.org/industry/metals-and-mining>

Market Size India's crude steel output grew 10.7 per cent year-on-year to 25.76 million tonnes (MT) during January-March 2017. India's crude steel output during April 2017 grew by 5.4 per cent year-on-year to 8.107 MT. India's finished steel exports rose 102.1 per cent to 8.24 MT, while imports fell by 36.6 per cent to 7.42 MT in 2016-17. India's steel exports rose 142 per cent in April 2017 to 747,000 tonnes over April 2016, while imports fell by 23 per cent to 504,000 tonnes in April 2017 over April 2016. Total consumption of finished steel grew by 3.4 per cent year-on-year at 6.015 MT during April 2017. Structure of the Steel Sector Source: Presentation on Steel by IBEF, July 2017

**❖ COMPANY OPERATIONS**

The Company began its operations in 2016 and was primarily engaged in Trading in ALUMINIUM, Graphite and Steel Products for Construction and Engineering Industries.

The Company post the IPO has set up direct contact with the Manufacturers eliminating middlemen. The result was higher margin and better assurance of quality for the customers. The Management is continuously evaluating business requirements of various customers and delivering different products to suit their designs.

### ❖ OUR COMPETITIVE STRENGTHS

#### **Experienced management team and a motivated and efficient work force**

Our Company is managed by a team of experienced and professional personnel having knowledge of all aspects of marketing, finance and broking. The faith of the management is in the staff and their performance has enabled us to build up capabilities to expand our business.

#### **SWOT Analysis**

##### **Strengths**

- Experienced Promoters and management team
- Domain knowledge in dealing in Metals and Special Alloys
- Low cost of processing orders and procurement

##### **Weaknesses**

- Dependence upon Specific Metals.
- Dependence upon few suppliers and customers for business

##### **Opportunities**

- Potential to introduce new products and concentrate on higher value addition
- Exiting a particular segment and entering a new segment easier.

##### **Threats**

- Commodities are prone to risk changes in natural environment.
- Industry is prone to change in government policies
- There are no entry barriers in our industry which puts us to the threat of competition from new entrants

### ❖ FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Directors Report contains a detailed summary of operational performance. Kindly go through the same.

### ❖ ADEQUACY OF INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems for the business processes in respect of all operations, financial reporting, compliance with laws and regulations etc. Internal Control Systems have been designed to provide reasonable assurance that assets are safeguarded and, transactions are executed in accordance's with management's authorization and properly recorded and accounting records are adequate for preparation of financial statements and other financial information. Regular internal audits ensure that responsibilities are executed effectively. The Audit Committee reviews the adequacy of internal controls on regular basis. Internal check is conducted on a periodical basis to ascertain the adequacy and effectiveness of internal control systems.

❖ **RISK MANAGEMENT**

The Board of Directors has identified various elements of risks which in its opinion may threaten the existence of the Company and have formulated measures to contain and mitigate risks. The Company has adequate internal control systems and procedures to combat identified risks. The audit committee periodically reviews the risks which may potentially affect the company's operations or performance.

❖ **HUMAN RESOURCE DEVELOPMENT**

The Employee Relations with the Management continued to be cordial. The Company regards its employees as a great asset and accords high priority to training and development of its employees. The Company recognizes that its human resource is its strength in realizing its goals and objectives.

❖ **CAUTIONARY STATEMENT**

This report contains forward-looking statements extracted from reports of Government Authorities / Bodies, Industry Associations etc. available on the public domain which may involve risks and uncertainties including, but not limited to, economic conditions, government policies, dependence on certain businesses and other factors. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto. The Company does not undertake to update these statements.