

'ANNEXURE-G' MANAGEMENT DISCUSSION AND ANALYSIS REPORT

COMPANY OVERVIEW

Our Company was incorporated on May 23, 1994 as a private limited company under the provisions of Companies Act, 1956 with Registrar of Companies, Punjab, H.P. & Chandigarh in the name and style of V. B. Spinning Mills Private Limited. The Company's name was changed to Marshall Machines Private Limited on January 02, 2002. Thereafter the control & management of the Company was completely taken over by Mr. Gaurav Sarup and Mr. Prashant Sarup in February 2002 along with their father Late Shri Gautam Sarup. Our Company is in the business of developing, manufacturing and marketing of Machine Tool Equipment. The business was originally founded by Mr. Gautam Sarup, who set up the business in the name and style of "Marshall Industries" more than 54 year ago to initially manufacture hosiery machines. In coming years, the business moved to design & manufacture of high precision Bench Lathes, Heavy Duty Lathes & Capstan Lathes, thousands of which were sold all over the country. The firm became known brand in the design and manufacture of high precision bench lathes, heavy duty lathes & capstan lathes. It was amongst first Indian CNC Machine manufacturers and launched CNC Machines way back in 1998.

Later, Mr. Gautam Sarup was joined in the business by his sons, Gaurav Sarup & Prashant Sarup ("Promoters") after completing their engineering education. As a team, they grew the product range to include All Geared Lathes, Multi Spindle Drilling/Tapping Machines & Special Purpose Machines.

BUSINESS OVERVIEW

Marshall Machines Limited is in the business of developing, manufacturing and marketing of Machine Tool Equipment including wide range of single spindle, patented double and four spindle CNC machines, automated robotic solutions and patent pending IoTQ suite of intelligent equipment. Moreover, our company sells machine parts of the manufactured machines as well to existing machinery buyers.

Technology is all around us and it has changed our lives and industries smarter, safer, and more convenient. As technology further leads us, intelligent machines are now becoming a reality. Over the past decade, Marshall has been a driving force behind innovation in Indian machine tool industry, automated solutions & smart technologies to solve the major problems of manufacturers and help improve productivity & profits. Our company has spent the past decade continuously improving its manufacturing operations and enhancing its technology to be able to immediately address its customers' changing needs. In today's competitive 24/7 manufacturing world where demands are high and increased quality, efficiency and productivity are critical for success, manufacturers need a machine manufacturer that can deliver what they need, when they need it. Marshall Machines has become a domestic leader in reliable automated turning solutions because of its passion for innovation and overall commitment to the manufacturing industry gives customers constant access to new, cutting-edge solutions, while further solidifying its position as a leading provider of innovative, productive machine tools and systems.

We are providing our product offering and solutions to wide range of industries including manufacturers of Axles, Crankshafts, Auto Parts, Fans, Pumps, Bearings, Gear Blanks, Bushes, etc. Our machines are known for reliability and quality. Innovative technology, quality manufacturing and complete service and support are part & parcel of the Marshall experience. By utilizing the latest in automation technology, Marshall can respond to specific customer requirements and provides the most efficient machining solutions in the market. By using Marshall automated Turning Centers our customers have cut costs, increased productivity, and, at the end of the day, have more saleable components on the floor, for less cost.



SIGNIFICANT DEVELOPMENTS SUBSEQUENT DURING THE PERIOD UNDER REVIEW

The following developments have been taken place during the period under review:

1. The Company was converted into Public Limited Company vide fresh Certificate of Incorporation dated May 17, 2018 issued by Registrar of Companies, Chandigarh vide shareholder's approval on April 24, 2018.
2. The Authorized Share Capital of Rs. 4,00,00,000 (Rupees Four Crore only) was increased to Rs. 15,00,00,000 (Rupees Fifteen Crores only) pursuant to a resolution of the shareholders dated April 24, 2018.
3. Reappointment of Mr. Prashant Sarup as Whole Time Director on May 23, 2018.
4. Appointment of Mr. Siddhant Sarup as Whole Time Director on May 23, 2018.
5. Appointment of Mr. Harish Pal Kumar and Mr. Satvinder Singh as Non-Executive & Independent Director on May 23, 2018.
6. The Company has allotted 85,44,000 Equity Shares as bonus issue of face value of Rs. 10/- each in the ratio of 4 equity shares for every 1 equity share pursuant to a resolution of the shareholders dated May 23, 2018.
7. The Company has brought Initial Public Offer (IPO) for 38,70,000 Equity Shares of Rs. 10/- each at a price of Rs. 42/- per Equity Share (including Rs. 32/- per share as premium). The Company has received immense support from Public and got listed on NSE EMERGE- SME Platform on 7th September, 2018.

INDUSTRY STRUCTURE & DEVELOPMENT

India stands 12th in production and 8th in the consumption of machine tools in the world as per the 2017 Gardner Business Media survey. The country is set to become a key player in the global machine tools industry and is likely to see substantial high-end machine tool manufacturing. With an emphasis on Make in India and manufacturing growth, for which the machine tools sector serves as the mother industry.

The Indian Machine tool Industry has around 1000 units in the production of machine tools, accessories/attachments, subsystems, and parts. Of these, around 25 in the large scale sector account for about 70 percent of the turnover and the rest are in the MSME sector of the industry. Approximately, 75 percent of the Indian machine tool producers are ISO certified. While the large organized players cater to India's heavy and medium industries, the small-scale sector meets the demand of ancillary and other units. Many machine tool manufacturers have also obtained CE Marking certification, in keeping with the requirements of the European markets.

The Indian machine tools sector offers several opportunities for investment. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments, such as automobiles and consumer durables, Aerospace, etc. Machine tool manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long term benefits.

With recent developments in Roboturn and IoTQ, Marshall has transformed manufacturing to make it smart. IoTQ (Internet of Things for Quality) is one of the most powerful technology in the world today in the field of CNC Turning Machining which acts like a "PERFORMANCE MULTIPLIER" for each IoTQ enabled machine, delivering quantum jump in near Zero defect quality with SmartCorrect, Tool insert life optimization with SmartInsert and machine health monitoring & predictive maintenance with SmartChek leading to longer machine life & OME (Overall Machine Efficiency). Continuous development and expansion of our sales network in all important markets across India reflects the dynamics of our company. We offer our customers top performance and commitment at all levels. A well-thought service concept,

starting with professional consultation, including documentation for the specific needs right up to remote maintenance via data link, ensures that Marshall Machines always operates reliably and efficiently.

During the year, the Company achieved total turnover of Rs. 6545.71 Lakhs as compare to Rs. 5942.44 Lakhs in previous year. The R&D Centre at Manesar, Gurugaon continue to under take new challenges in product development and also continuously working on value engineering.

The Company has got ISO 9001:2015 certification by Intertek (UK) to design, manufacture and supply of CNC Turning Centers, CNC TurnmillCenters& Double Head CNC Chuckers, which is updated version for product quality improvement and customer satisfaction.

OPPORTUNITY AND THREATS

Strengths	Weaknesses
1. Intellectual Property & Proprietary Technology 2. Prestigious Client Base 3. Intensive R&D for Smart Tech Development 4. Unique Business Model driving customer relationships 5. Experienced management team and skilled workforce 6. Value creation opportunity	1. Long Manufacturing Cycles 2. Dependence on imports for key components 3. Huge inventory maintenance including for critical components
Opportunities	Threats
1. Growth in Capital Goods Industry 2. Fast paced development of Automobile Industry 3. Expanding Geographical Markets 4. High Growth of End User Industries	1. Entry of Global Players 2. Technology disruptions

OUTLOOK

Your Company continues to maintain its relatively stable and progressive growth outlook. The initiative taken by your Company for technology up gradation, reducing overheads and finance costs, improving operating parameters and optimizing operating costs will enable the company to face challenges in coming times.

RISK AND CONCERNS

The risk factors are classified as under for the sake of better clarity and increased understanding:

1. Internal Risk Factors
2. External Risk Factors

INTERNAL RISK FACTORS

- ✧ Any change in the technology may render our current technologies obsolete or require us to make substantial capital investment to cope with the market.
- ✧ Unauthorized use of our intellectual property rights may adversely affect our business.
- ✧ We are subject to risks associated with expansion into new markets.
- ✧ Increase in the cost of, or a shortfall in the availability of raw materials/components could have an adverse effect on our business, results of operations and financial condition.



- ◇ Demand for our machines depends on capital spending by customers in the industries like Automobile, Electronics, Steel, machine tools etc. Any downturn affecting these sectors may result in a decrease in demand for our machines and adversely affect our business, financial condition and results of operations.
- ◇ Our operations are subject to environmental, health and safety laws and regulations.
- ◇ Our company is highly dependent on third party logistics services for the delivery of our machines and any disruption in their operations or a decrease in the quality of their services could affect our Company's reputation and results of operations.
- ◇ Our business is dependent on the availability/supply of certain materials/components which we source from domestic/international suppliers. Any decrease in the availability of the materials, could adversely affect our results of operations.
- ◇ Orders placed by customers may be delayed, modified, cancelled or not fully paid by our customers, which may have an adverse effect on our business, financial condition and results of operations.
- ◇ Any delays and/or defaults in payments from our customers could result in increase of working capital investment and/or reduction of our profits, thereby affecting our operation and financial condition.
- ◇ A shortage or non-availability of electricity may adversely affect our manufacturing operations and have an adverse effect on our business, results of operations and financial condition.
- ◇ We face foreign exchange risks, primarily in import of our materials/components that could adversely affect our results of operations.
- ◇ We could be harmed by employee misconduct or errors that are difficult to detect and any such incidences could adversely affect our financial condition, results of operations and reputation.
- ◇ Breakdowns of our major plants or machinery or failures to repair or maintain the same may affect our business.
- ◇ The operations of our Company are subject to manufacturing risk and may be disrupted by failure in the facilities causing fatal injury to personnel including death and destruction of property and consequent imposition of civil and criminal penalties.

EXTERNAL RISK FACTORS

- ◇ A slowdown in economic growth in India could adversely affect our business, results of operations, financial condition and cash flows.
- ◇ Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws, may adversely affect our business and financial performance.
- ◇ Inflation in India could have an adverse effect on our profitability and if significant, on our financial condition.
- ◇ Any downgrading of India's debt rating by an independent agency may harm our ability to raise financing.
- ◇ Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on our business.
- ◇ Natural calamities could have a negative impact on the Indian economy and cause our company's business to suffer.
- ◇ Foreign investors are subject to foreign investment restrictions under Indian law that limits our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.
- ◇ Political instability or changes in the Government could adversely affect economic conditions in India generally and our business in particular.

- ✧ Terrorist attacks, civil unrest and other acts of violence or war involving India or other countries could adversely affect the financial markets, our business, financial condition and the price of our Equity Shares.

Your Company regularly monitors the various risks associated with its business. The Risk mitigation process reviewed by the Company. The Company continues to take suitable steps to minimize risks and their impact on Company's overall performance.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate systems of internal control meant to ensure proper accounting controls, monitoring cost-cutting measures, efficiency of operation and protecting assets from their unauthorized use. The Internal Audit department of the Company reviews control measures in the management of risks and opportunities and ensures adherence to operating guidelines and compliance with regard to regulatory and legal requirements. The Company's budgetary control system aims to ensure adequate control on the expenditure. The management reviews the actual performance with reference to the predetermined norms and standard on monthly basis. The Company has to work hard to maintain its market share without compromising on the quality of its products.

DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial highlights with respect to operational performance:

(Rs. In Lakhs)

Particulars	As on 31.03.2019	As on 31.03.2018	% Change
Revenue from Operations			
Sale of Products			
Domestic	7535.47	6828.41	10.35%
Export	86.90	96.85	-10.27%
Less: Taxes	(1159.69)	(1015.52)	14.20%
Net Sale of Product (A)	6462.68	5909.74	9.36
Other Income(B)	83.03	32.69	153.99%
Total Revenue from Operations (C)=(A)+(B)	6545.71	5942.53	10.15%

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

The Company believes in establishing and building a strong performance and competency driven culture amongst its employees with greater sense of accountability and responsibility. The Company has taken various steps for strengthening organizational competency through the involvement and development of employees as well as installing effective systems for improving their productivity and accountability at functional levels. The Company acknowledges that its principal asset is its employees. Ongoing in-house and external training is provided to the employees at all levels to update their knowledge and upgrade their skills and abilities. As on March 31, 2019, the Company had total 264 full time employees. The industrial relations have remained harmonious throughout the year.

CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis report, describing the Company's objectives projections, estimates, expectations or predictions may be "Forward looking Statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand-supply conditions, cyclical demand and



pricing in the Company's principal markets raw material cost and availability, changes in the Government regulations tax regimes, economic development within India and the countries within which the Company conducts business and other factors such as litigation and industrial relations.

For and on behalf of the Board of
MARSHALL MACHINES LIMITED

Place: Ludhiana
Date: 03/09/2019

Sd/-
(GAURAV SARUP)
(MANAGING DIRECTOR)
(DIN:00777489)

'ANNEXURE-H'

CERTIFICATE OF COMPLIANCE OF THE CODE OF CONDUCT OF THE COMPANY

This is to state that the Company had duly adopted a Code of Conduct. After adoption of the Code of Conduct, the same was circulated to all the Board Members and Senior Management Personnel for compliance. It is affirmed that all the Board Members and Senior Management Personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For Marshall Machines Limited

Place: Ludhiana
Date: 30.05.2019

Prashant Sarup
(Whole Time Director)
(DIN: 01257440)