

RONI HOUSEHOLDS LIMITED

Management Discussion & Analysis

Economy Overview of Plastic Industry

Indian economic growth is giving a positive signal for the current and future scenario. It is projected to strengthen above 7%, gradually recovering from the transitory adverse impact of rolling out the Goods and Services Tax (GST) and measures to choke off the black economy, including demonetization. India's GDP grew 7.2% in the third quarter of 2018, surpassing expectations and wresting back the mantle of fastest growing economy from China on the back of a rebound in industrial activity, especially manufacturing and construction, and an expansion in agriculture. Reserve Bank of India has estimated GDP growth in a range from 7.4% to 7.9% for the Financial Year 2019-2020.

Indian Scenario

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. Indian economy is expected to grow at a rate of 6.7 per cent in the year 2017-18 and in the year 2018-19 the economy is expected to grow at a rate of 7.2 per cent. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, Reserve Bank of India's (RBI) inflation focus supported by benign global commodity prices.

Overview of Global Plastic Industry

Global economic growth is generally interlinked to petrochemical consumption where plastic is an important partner. Plastic processing is the pillar of economy in most of the advanced economies.

(Source: <https://www.moneycontrol.com/news/business/startup/current-scenarioway-forward-for-indian-plastic-industry-1045326.html>)

Road Ahead

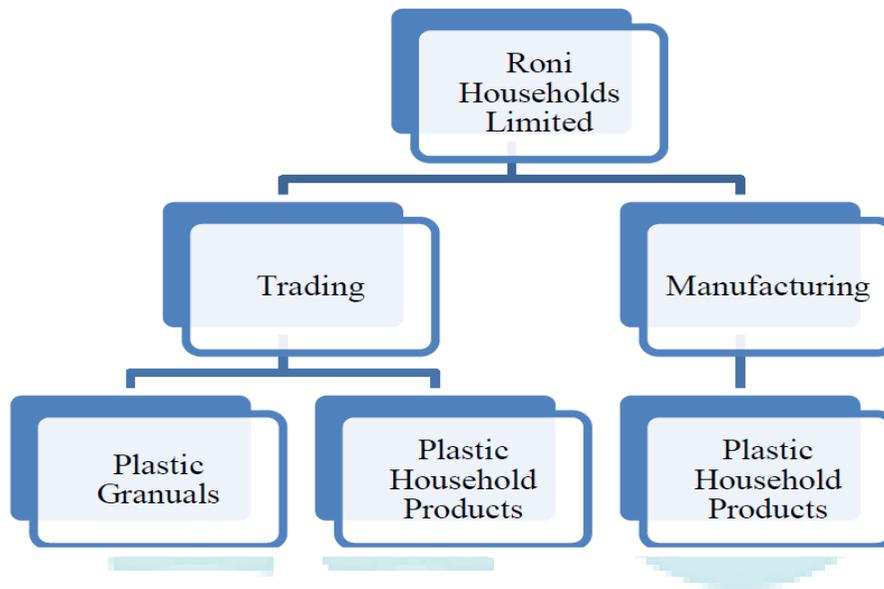
Global plastics market is projected to grow at a CAGR of 7.03% from 2017 to 2025, as per Orian Research. Plastics are used in a variety of industries: construction, packaging, appliance, automobile, textile, transportation, and many others. A large number of manufacturers supply many different products to numerous end-users for a multitude of applications. The major drivers for plastics market would be its low cost,

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flexibility of use, easy manufacturing capabilities, growing construction in Asia-Pacific region among others. Thus, plastics can be regarded as synthetic or semi-synthetic organic solids which can be transformed into several useful products. Also, the paradigm shift of technology to recycle plastics for end-use applications provide significant opportunities to the entire supply chain of the plastics market.

(Source: <http://www.plastemart.com/news-plastics-information/global-plastics-market-to-register-cagr-of-7-03-from-2017-to-2025/44014>)

Company Profile and Performance:



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Business Process:

1. Trading Business Process

The trading business vertical of the company is a B2B model and operates primarily on an agency basis wherein the goods are procured from suppliers on cash or credit basis and supplied to customers on credit basis. The procurement of goods is carried out on an “order” basis as well as “demand estimation basis”.

2. Proposed Manufacturing Process

The basic raw material is PP Granuals. This raw material is fed into the Feeding hopper of Injection Moulding Machine. Wherein, the raw material is heated by the heater and is converted into hard solvent and the hard solvent then injected into moulds. Water is circulated and re-circulated on moulds for cooling purpose. The injection moulding items are then packed and are ready for sale.

Capacity Utilization

Our company does not have any operating history with respect to capacity and capacity utilization. However, our proposed manufacturing plant will have production capacity of 4,700 kgs per day for the fiscal 2019 fiscal 2020 and fiscal 2021. Our utilized capacity will be 40%, 65% and 70% for the fiscal 2019 fiscal 2020 and fiscal 2021 respectively.

Outlook & Opportunities:

- The Governments’ ‘Make in India’ initiative will facilitate the industry with common infrastructure and a consequent rapid flow of FDI into the sector which will accelerate growth.
- As an environmentally conscious company, we stand to benefit from stricter environment norms.
- The Indian specialty plastic industry continues to enjoy advantages in terms of labour costs.
- The Company enjoys additional advantages of product development capabilities, branding and distribution.

Challenges:

- Fragmentation and lack of scale: Only a few Indian companies have the ability to compete with global giants on product development and innovation. It is an advantageous situation as it is one of the larger specialty plastic companies in India.
- Commoditisation: Only niche products enable companies to protect their margins. Focusing more on this segment would be of greater benefit.

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- Regulations: The cost of compliance could make operations increasingly economically unviable for small players. Ability to scale up, offering differentiated products through innovations, implementing an effective sales and marketing strategy and maintaining high levels of regulatory standards will clearly separate winners from the crowd in this space.

Financial and Operational Performance Review

The major items of the financial statement are shown below:

	2018-19	2017-18
Net Sales & Other Income	7,80,45,520	4,29,69,705
Profit before Interest & Depreciation	63,27,299	10,58,225
Interest	12,38,861	-
Depreciation	23,26,261	8,041
Profit/(Loss) before exceptional item and tax	27,62,178	10,50,184
Less: Exceptional Item	-	-
Less: Provision for Tax (Net)	5,49,704	(2,70,422)
Profit After Tax	33,11,881	7,79,762
Balance available for Appropriation	40,91,643	7,79,762



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Risks and Concerns:

The Company follows Enterprise Risk Management (ERM) tools to define, identify and assess, report and drive the mitigation of risk throughout the group. The tool is designed to provide risk score measures for each of the potential risks as well as its financial, reputational and operational impact. It also provides risk improvement plans, critical success factors and target dates to control risks.

The Company has aligned its policy on risk assessment with the global approach, and risk assessment reports are reviewed at regular intervals. The Company has also adopted a focused approach towards risk management in the form of a corporate insurance programme. The goal of this programme is to optimise the financing of insurable risks by using a combination of risk retention and risk transfer. The programme covers all potential risks relating to the business operations of the Company at its various locations. As part of the global policy, the relevant parameters for all manufacturing sites are analysed to minimise the risk associated with protection of environment, safety of operations and health of people at work. These are then monitored regularly with reference to statutory regulations prescribed by government authorities and guidelines defined by the Company. The Company fulfils its legal requirements concerning emission, waste water and waste disposal. Improving workplace safety continues to be a top priority at all manufacturing sites.

The Company continues its focus on compliance in all areas of its business operations by rationalising and strengthening controls. This is also an important component of the Company's code of conduct. The Company has set in place the requisite mechanism for meeting with the compliance requirements and periodic monitoring to avoid any deviation. The Company aims to set exemplary and sustainable standards, not only through products, services and performance, but also through integrity and behaviour. As part of our efforts to ensure that we maintain such exemplary standards and to provide employees with a good understanding of the demands of anti-bribery and corruption laws, the Company has launched intranet based training modules on the topic of Preventing Bribery and Corruption.

The business operations of the Company are exposed to a variety of financial risks such as market risk (foreign exchange risk, interest rate risk and price risk); credit risk, liquidity risk etc. The risk management programme focuses on unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance. The Company's business critical software is operated on a server with regular maintenance and back-up of data and is connected to a centralised computer centre with physically separated server parks operated by the Company group. The system's parallel architecture overcomes failures and breakdowns. The global communication network is managed centrally and is equipped to deal with failures and breakdowns.

Internal Control Systems and Their Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business in India. The Company has clearly laid down policies, guidelines and procedures that form a part of the internal control systems. The adequacy of Internal Control Systems, which

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encompasses the Company's business processes and financial reporting systems, is examined by the management as well as by its internal auditors at regular intervals.

The internal auditors carry out audits at regular intervals in order to identify weaknesses and suggest improvements for better functioning. The observations and recommendations of the Internal Auditors are discussed by the Audit Committee to ensure effective corrective action.

Human Resources

The Company acknowledges that its committed and talented workforce is the key factor driving sustainable performance and growth. As one of the most critical assets of the Company, its people are responsible for its competitive advantage. In line with its business imperatives, emphasis continues to be on recruiting and retaining the most relevant talent. These resources are then nurtured, developed, motivated and empowered so that their performance is optimised.

It continuously seeks to inculcate within its employees a strong sense of business ethics and social responsibility. Relations with the employees at all levels remained cordial during the year. The Company has 9 permanent employees as on March 31, 2019.

Change in Return on Net Worth

The return on Net worth for the financial year 2018-19 has gone down from 15.29% to 7.64% as compared to preceding financial year.

For & On behalf of the Board

Mr Harish Manohar Sirwani

(Managing Director)

(DIN: 07844075)