

ANNEXURE - A

MANAGEMENT DISCUSSION AND ANALYSIS**A. Industry Structure & Development****Power Cables Division:**

The Energy Cables sector had a reasonable growth in 2014-15 as compared to the previous year 2013-2014. There has been growth of more than 15% in High Voltage cables. Margins however continued to be under pressure due to over-capacity in the industry. Both Medium Voltage and Low Voltage Power Cables are predominantly dependant on growth in Distribution Sector of Power Utilities and overall Infrastructure Development. Both these sectors have grown in 2014-2015 compared to previous year. The Cables Division of Nicco Corporation Ltd, more particularly Shyamnagar unit, is concentrating on special cables segment which offers slightly better margins..

Collections continued to be under tremendous pressure due to tight monetary position in the market in general and our customers in particular.

Project Division :

In terms of AAI FR/BIFR order and recommendation of Asset Sale Committee (ASC) constituted for the purpose, the Division has been sold as a 'Going Concern' on an 'As is where is Basis' covering four on-going projects with effect from 17th June 2014 subject to completion of certain closing obligations and other covenants as per Sale and Purchase agreement executed between the Company and the new Buyer.

Segment-wise performance**Power Cables Division:**

The Cables Division registered a gross sales turnover of Rs. 97 crore against Rs 208 crore of previous year. Performance has considerably suffered on account of non-availability of required working capital finance as was getting reported in earlier years. The situation has worsened during the year as the Company was not generating cash during last few years as well as due to delay in approval and implementation of the BIFR package, which was circulated to all Secured Lenders in May 2013.

The Division continued its focus on the business with higher margins with a view to ensure best operating results to the extent possible to generate within depleted Working Capital Fund. The major focus for operation had been on Speciality Cables at Shyamnagar Works and Electrical Contract division.

Due to acute shortage of working capital as stated above, the Company had to temporarily suspend operations in both its plants at Baripada & Shyamnagar with effect from 23rd April 2015.

The Company has an order book of around Rs 86 crore as on 27th April, 2015.

Project Division

As reported earlier the sale of the Division concluded on 17th June, 2014 covering four on-going projects subject to completion of certain closing obligations. One of such closing obligation was to novate / assign such four ongoing projects. Pending such novation / assignment, the Company had to book revenue for such projects along with corresponding costs as no profit no loss wef 17th June, 2014. Certain Projects, which were not transferred to the Buyer, continued for completion although there was meagre revenue from such projects being in virtual completion stage.

Operating revenue of Project Division during the year was Rs 11.20 crore (Rs 37.42 crore previous year) which includes revenue from projects not to be transferred i.e. excluded from sale of the Division to the extent of Rs 1.37 crore.

B. Business Strategy**Power Cables Division:**

The priority of the Company and this Division is to endeavour with the existing lenders to get approval of Draft Rehabilitation Scheme (DRS) followed by approval of BIFR and thereafter re-open the plants.

The Division has drastically reduced its manpower as also the operating cost. Once the operations start, focus on R&D would also continue in developing new products for both existing markets as also for new markets. Efforts would be made to increase the volume of Speciality Cables especially in the segments of Railways, Ship Wiring, Wind Energy, Defence, Material Handling and Electrical Contracts.

With a view to optimise resources and also to improve profitability it has been decided for sale of Baripada Plant. BIFR has also approved the proposal and had constituted Asset Sale Committee for the purpose.



Project Division:

The Sale of the Division has been concluded on 17th June, 2014. Vigorous efforts will continue to realise all outstanding debts including those under Arbitration and Court Cases.

C. Risks and Concerns

Power Cables Division:

The concerns are non-availability of working capital fund and gradual reduction in order book due to cancellation of orders on account of our inability to meet supply commitments. Prolonged suspension of plants would also result in greater risk of loss in value of equipment as also associated risk of cost of re-opening.

Project Division:

The only concern is to collect the receivables pertaining to the earlier executed contracts which have been retained in the Company pursuant to the sale of this Division.

D. Internal Control Systems and their Adequacy

Internal Control procedures viz. authorizations and approvals of transactions are well laid down aiming towards efficient usage and protection of Company's resources as also to ensure strict adherence to statutory compliance requirements. External Chartered Accountant firms conduct Internal Audits at specified intervals. The Audit Committee of the Board reviews the Internal Audit Reports with Management observations along with action taken reports on earlier decisions. The Audit Committee monitors the performance, efficacy in resource utilization and the statutory compliances. The Audit Committee's observations and recommendations are reported to the Board of Directors. In addition, the Risk Register is maintained and periodic risk assessments are carried out. Moreover both the Audit Committee and the Board conduct reviews of the actions arising from the said Risk Analysis.

E. Human Resource Management

The major focus has been to build a cohesive and lean team for effectively implementing the desired objectives of the Company.

As a commitment to the revival process of the Company, all the employees including whole-time Director have been contributing at the rate of 10% of their salary.

F. Financial and Operational Performance

For the year ended 31.3.2015 the Company has made a Profit before Finance Cost and Depreciation of Rs.117 lacs which includes Profit of Rs 951 Lacs from sale of Project Division. The operations however have been affected badly due to drop in turnover arising out of working capital shortage. The division would continue its endeavour to improve operational efficiency through cost reduction measures like reduction in wastage, value engineering/substitution, better yield, etc., coupled with strategy to secure orders having relatively high contribution on reopening of the plants.

G. Outlook:

The Company has potential to turn around for which the single most need is to obtain approval of the DRS from BIFR, though unfortunately it a time consuming process.

H. Cautionary Statement

Statements, if any, in the Management Discussion and Analysis Report in regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

Raw material availability and its prices, demand and pricing in the Company's markets, changes in government regulations, economic developments in India, shortage of working capital, delay in approval of DRS and other incidental factors could make a difference to the Company's operations. Industry information contained in this Report, have been based on information gathered from various published and unpublished reports and their accuracy, reliability and completeness cannot be assured.