

## ANNEXURE TO DIRECTORS' REPORT

### ANNEXURE-A

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management discussion and analysis report sets out developments in the business environment and the Company's performance since the last report. The analysis supplements the Directors' report, which forms part of this annual report.

#### Industry Structure and Development:

Lead and Wind Energy are the two divisions of the Company.

Pure Lead and Lead alloys are supplied to manufacturers of Lead acid batteries.

Wind energy generated is sold to Andhra Pradesh Southern Power Distribution Company Limited.

#### Results of our operations for the year ended 31st March 2019

(Rs. In lakhs)

Particulars	2019	%	2018	%
Net Sales	57,083.46	100.00	63,312.01	100.00
Cost of Goods sold	53,208.06	93.21	57,550.13	90.90
<b>Gross Profit</b>	<b>3,875.40</b>	<b>6.79</b>	<b>5,761.88</b>	<b>9.10</b>
Selling and Marketing expenses	403.34	0.71	420.50	0.66
General and administration expenses	1,210.20	2.12	1,515.37	2.39
<b>Operating profit before Depreciation</b>	<b>2,261.86</b>	<b>3.96</b>	<b>3,826.01</b>	<b>6.04</b>
Depreciation and Amortization	385.11	0.67	387.94	0.61
<b>Operating Profit</b>	<b>1,876.75</b>	<b>3.29</b>	<b>3,438.07</b>	<b>5.43</b>
Other income	57.12	0.10	110.60	0.17
<b>Profit before Tax</b>	<b>1,933.87</b>	<b>3.39</b>	<b>3,548.67</b>	<b>5.61</b>
Tax expenses	682.83	1.20	1,243.95	1.96
<b>Profit after Tax</b>	<b>1,251.04</b>	<b>2.19</b>	<b>2,304.72</b>	<b>3.64</b>
Other Comprehensive Income	40.59	0.07	19.24	0.03
<b>Total Comprehensive Income</b>	<b>1,210.45</b>	<b>2.12</b>	<b>2,285.48</b>	<b>3.61</b>

**Note:** Previous year's figures are regrouped and presented wherever necessary.

Lead prices on the London Metal Exchange were significantly lower throughout the financial year, and this resulted in a significant drop in your company's revenues. The raw material prices did not drop proportionately because of the continued high demand in the Indian market, and this had an adverse impact on the profitability.

There have been no significant developments on the employment and manpower front. Relevant manpower data is provided elsewhere in the document.

#### Banking arrangements:

Your company's banking arrangements with Kotak Mahindra Bank Limited and HDFC Bank Limited are working satisfactorily, and has resulted in a reduction in finance costs.

#### Outlook:

Margins continued to be severely affected by the reduced gap between the raw material prices and the finished product prices. There currently appears to be a slight improvement in the Lead prices on the London Metal Exchange.

There is no letup in the robust demand for Lead and Alloys. Capacity utilization of both plants continues to go up and your company has sufficient capacity to meet further demand without incurring any capital expenditure

While the wind farm continues to give marginal profits, the situation might not continue for long because the wind mills are operating beyond the originally expected useful life. Payments from the Andhra Pradesh Power Coordination Committee are getting inordinately delayed, eating into the already meagre realization.

**Opportunities and Threats:**

Your company has narrowed its search for suitable diversification opportunities, and should be ready to finalize on appropriate projects soon.

**Internal Control Systems and their Adequacy:**

Your Company has an established system of internal controls for ensuring optimal utilization of various resources. Investment decisions involving capital expenditure are taken up only after due appraisal and review, and adequate policies have been laid down for approval and control of expenditure. Internal audit is carried out by a firm of Chartered Accountants

to ensure adequacy of the internal control systems. The internal audit report is reviewed by the Audit Committee to ensure that all policies and procedures are adhered to, and all statutory obligations are complied with.

For and on behalf of the Board

Sd/-

**V. Ramesh**

Place : Hyderabad

Chairman and Managing Director

Date : 14-08-2019

DIN: 00296642

## ANNEXURE-B

**Information as required under Section 134(3)(e), Section 178(3) of the Companies Act, 2013 and Rule 8(4) of the Companies (Accounts) Rules, 2014: Criteria for determining qualifications for appointment of Directors (including independent Directors):**

- Persons of eminence, standing and knowledge with significant achievements in business, professions and/ or public service.
- Their financial or business literacy/skills.
- Appropriate other qualification/experience to meet the objectives of the Company, including the diversity they bring to the board.
- As per the applicable provisions of the Companies Act, 2013, Rules made thereunder and the SEBI (LODR) Regulations, 2015.

The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.

**Criteria for determining positive attributes of Directors (including independent Directors):**

- i. Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues pro-actively.
- ii. Actively update their knowledge and skills with the latest developments in the market conditions and applicable legal provisions.
- iii. Willingness to devote sufficient time and attention to the company's business and discharge their responsibilities..
- iv. To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- v. Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- vi. To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.

**Criteria for determining Independence of Directors:**

Independent Directors to meet the criteria of Independence as prescribed by the Companies Act, 2013 read with the Rules made there-under, and the SEBI (LODR) Regulations, 2015, as amended from time to time.

**Criteria for evaluation of performance of Directors (including Independent Directors):**

- i. Attendance and contribution at Board and Committee meetings..
- ii. Open channels of communication with executive management and other colleagues on the Board to maintain high standards of integrity and probity.
- iii. Recognize the role which he/she is expected to play to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
- iv. His/her ability to monitor the performance of management and satisfy himself/herself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
- v. His/her contribution of enhance overall brand image of the Company.

**Criteria for evaluation of performance of Board:**

The process of evaluating the performance of the Board as a whole is the responsibility of the Independent Directors. The evaluation of Board performance involves review and discussion of Board effectiveness, including looking at:

- i. Appropriate composition of the board with the right mix of knowledge and skills;
- ii. Members of the Board meeting all applicable independence requirements;
- iii. Sufficient number of Board meetings, of appropriate length, being held to enable proper consideration of issues;