



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management of **ORBIT EXPORTS LIMITED** presents its Analysis report covering performance and outlook of the Company. The Report has been prepared in compliance with the requirements of Corporate Governance as laid down in the Listing Regulations.

### **DISCLAIMER:**

Readers are cautioned that this discussion and analysis contains forward looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate," "believe," "estimate," "intend," "will," and "expected" and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results, performances or achievements, risks and opportunities could differ materially from those expressed or implied in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements as these are relevant at a particular point of time & adequate restraint should be applied in their use for any decision making or formation of an opinion.

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

### **Global Economy:**

During the year 2018, Global Economy grew by 3.6% signaling its resilience even on the backdrop of weakening global financial market sentiment, trade policy uncertainty, and concerns about China's outlook. Emerging economies stayed resilient during the period, with India leading the growth. In the second half of the year, trade wars between economies, particularly USA and China, stunted the growth momentum and the above rate of development gradually declined. Global leaders have expressed concerns of this leading to an economic crisis and have thus urged high level settlements and cooperation between the battling economies.

In 2018, economic activity in advanced economies grew at 2.3%, lower from 2017. In contrast, activity in the Euro Area has been somewhat weaker at 1.8% in 2018 as compared to 2.4% last year.

In Emerging and developing economies it's important to note that India's economy expanded at 7.1% in 2018 vis-à-vis 6.7% in 2017, whereas China's growth deteriorated from 6.9% in 2017 to 6.6% in 2018.

### **Indian Economy:**

The Indian Economy continued to perform well and is the fastest growing major economy in the World. According to the IMF, India is a bright spot in the global ecosystem and India's growth is looking very profitable in the coming years.

Today, India is the world's seventh largest economy in real terms, backed by strong demand, positive consumption pattern and rising disposable income. This remarkable growth was achieved even at the backdrop of the several challenges faced by Indian Economy. However, Moody's Investors Service has cut India's gross domestic product (GDP) growth rate to 6.2 per cent for calendar year 2019 against its earlier projection of 6.8 percent. The rating agency scaled down India's economic growth to 6.7 per cent for 2020, a cut of another 0.6 percentage points. There are discernible signs of slowdown in various sectors such as automobile, real estate, telecom, and banking and finance apart from agriculture, which is spooking even normally stable sectors like FMCG.

The year also witnessed Foreign Direct Investments worth ~USD 33.5 billion flowing to India.

### **Indian Textile Industry:**

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 13 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganised sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.



The textile industry employs about 45 million people directly and 20 million indirectly. India's overall textile exports is expected to increase to US\$ 82.00 billion by 2021 from US\$ 31.65 billion in FY19. The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 250 billion by 2019. The Directorate General of Foreign Trade (DGFT) has also revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of Textiles Industry - Readymade garments and Made ups - from 2 per cent to 4 per cent.

The Government of India announced a Special Package to boost exports by US\$ 31 billion, create one crore job opportunity and attract investments worth Rs.80,000 crore (US\$ 11.93 billion) during 2018-2020.

During the year under review, the Indian Textile Industry has witnessed subdued growth in domestic as well as export market. The International demand was largely muted on account of the trade war and its uncertainty whereas the domestic demand did not pick up as expected as the Industry was getting in terms with the GST regime. The textile industry is one of the largest contributors to the economy accounting for ~4% of the GDP. The textiles and apparel industry constitutes ~14% of the total exports of the country. India's share in world trade in textile and clothing during this year is estimated to be 4.95 percent. With these exports, India is ranked second amongst the suppliers in the world after China and fourth largest producer and exporter of apparel after China, Bangladesh and Vietnam. However, its exports are 1/7th of the level of exports from China.

### **Financial Performance of the Company**

Your Company continued to progress in utilizing all the opportunities during 2018 - 2019. The highlights of the financial performance are:

- 1) Net Sales increased by 3.76% from Rs.12,520.67 Lakhs in 2017-2018 to Rs.12,991.93 Lakhs in 2018-2019.
- 2) Earnings before interest, depreciation, tax (EBIDTA) decreased by 5.51% from Rs.4,281.70 Lakhs in 2017-2018 to Rs.4,045.65 Lakhs in 2018-2019.
- 3) Profit after tax (PAT) decreased by 7.19% from Rs.2,490.88 Lakhs in 2017-18 to Rs.2311.82 Lakhs in 2018-2019.
- 4) Depreciation and Amortization expenses increased by 18.43% from Rs.722.44 Lakhs in 2017-2018 to Rs.855.57 Lakhs in 2018-2019.
- 5) Interest expenses increased by 174.82% from Rs.53.50 Lakhs in 2017-2018 to Rs.147.03 Lakhs in 2018-2019.

### **Consolidated Financial Performance of the Company**

The key highlights of the consolidated financial performance are:

- 1) Net Sales of the Company was Rs.13,509.10 Lakhs in the year 2018-2019.
- 2) Earnings before interest, depreciation, tax (EBIDTA) was Rs.4,316.96 Lakhs in 2018-2019.
- 3) Profit after tax (PAT) was Rs.2,575.18 Lakhs in 2018-2019.
- 4) Depreciation and Amortization expenses during the year 2018-2019 was Rs.858.48 Lakhs.
- 5) Interest expenses during the year 2018-2019 was Rs.147.03 Lakhs.

### **Capital Expenditure**

As at 31st March, 2019 the gross fixed assets stood at Rs.12,729.80 lakhs and net fixed assets Rs.10,500.14 lakhs. Additions during the year amounted to Rs.2,039.80 lakhs.

### **Buyback:**

The Board of Directors, as its meeting held on March 18, 2019 approved the buyback of the Company's fully paid-up equity shares of the face value of Rs.10/- each from its shareholders/beneficial owners excluding promoters, promoter group and persons who are in control of the Company, via the "open market" route through the stock exchanges, for a total amount not exceeding Rs.10 Crore ("Maximum Buyback Size"), and at a price not exceeding Rs.130/- per Equity Share ("Maximum Buyback Price").



The indicative maximum number of Equity Shares bought back at the above maximum price would be 7,69,230. If the Equity Shares are bought back at a price below the Maximum Buyback Price of Rs.130/-, the actual number of equity shares bought back could exceed the above indicative Maximum Buyback quantity but will always be subject to the Maximum Buyback Size.

The Buyback shall be from the open market purchases through the stock exchanges, by the order matching mechanism except 'all or none' order matching system, as provided under the Buyback Regulations.

The Company will fund the buyback from its free reserves, current surplus and/ or cash and cash equivalents and/or internal accruals and / or liquid resources and / or such other permissible sources of funds of the Company.

The buyback of equity shares through the stock exchanges commenced on March 29, 2019 and is expected to be completed by September 28, 2019 or reaching the Maximum Buyback Size or at such earlier date as may be determined by the Board/ Buy-back Committee, subject to the Company having deployed an amount equivalent to the minimum Buy-back size, whichever is earlier.

During the period from March 29, 2019 to March 31, 2019, Nil equity shares were purchased from the stock exchange and therefore not extinguished any shares as of March 31, 2019.

**Credit Rating**

The Company's financial discipline and prudence is reflected in the strong credit ratings ascribed by ICRA Limited as given below:

<b>Instrument</b>	<b>Rating</b>
Long Term Debt	ICRA A (Stable)
Short Term Debt	ICRA A1

**Adoption of Indian Accounting Standards (IND AS)**

Your company adopted Indian Accounting Standards (Ind AS) with effect from April 1, 2017. For the year 2016-17, 2017-18 and 2018-19 the Company has completed assessment of impact of change to Ind AS for relevant periods. The Company has modified the accounting and reporting systems to facilitate the changes.

**Outlook**

The company is taking all efforts to improve the quality and productivity to get more orders at competitive rates. The expansion program by improving efficiency by installation of new and high tech machinery will push volume growth. The company's business is committed to achieve world benchmark quality besides expanding on new product offering from new clients. Further the business will continue to focus on improving its cost competitive position. These measures will ensure the company maintaining its leadership position in the world market. Due to the own manufacturing facilities, the company is able to maintain safety of products high quality & productivity in the finished goods manufactured. Barring unforeseen circumstances the company is confident of achieving better results in the current year.

**Opportunities and threats:**

China's rising manufacturing cost and shifting of focus from exports to its own growing domestic consumption will offer an opportunity for the Indian textiles sector to grab the market share of China in the developed world, especially the European countries and the United States, which cumulatively comprise around 60% of the global export market. Retaliatory tariffs between China and USA is bound to have a ripple effect on other nations' economies.

With this move, the USA's domestic market will become costlier and at the same time Chinese Garment factories will lose business. But the competition will rise in other markets. However, this is a good opportunity for India to cater to the US market. The conclusion of the much-awaited Indo-EU FTA will open up new opportunities for exports. However, its delay is certainly restricting export of textiles to the EU, as competing nations like Pakistan and Bangladesh enjoy the duty benefit of 6% to 8% as against Indian Products. The increase in export benefits announced in March, 2019 in Made-ups will give relief to exporters in times to come. The World, including the advanced countries, are becoming increasingly inward-looking and resorting to protectionist measures, thereby, putting multilateral system of trading at risk. This could pose a serious



challenge in the export markets. The duty free import of fabrics from China into Bangladesh and in return the Garments are being imported duty free into India from Bangladesh is hitting hard the Indian Textile Industry.

**Risks and Concerns:**

Due to the cash crunch and weak demand in the Indian and Export markets, it is difficult to pass on the cost to end customers. Hence, the margins are under pressure. Further, globally consumer shifting preference from cotton fibre to manmade fibre, which are available at lower prices, is also putting pressure on prices.

**Internal Control Systems and their Adequacy**

For ensuring methodical and efficient conduct of its business, the Board has adopted policies and procedures. Thus, it ensures on the one hand, safeguarding of assets and resources of the Company, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, timely preparation of financial disclosures and on the other hand, encourages the improvement of the operational performance of the Company.

The Company has an adequate internal control system commensurate with the size and complexity of the organization. The Company has undertaken a comprehensive review of all internal control systems to take care of the needs of the expanding size of the Company. A system of internal audit to meet the statutory requirement as well as to ensure proper implementation of management and accounting controls is in place. The Audit Committee periodically reviews the adequacy of the internal audit functions. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of persons.

**Human Resources/Industrial Relations**

The Company treats its human resources as its important asset and believes in its contribution to the all round growth of the Company. The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel.

**Research and Development:**

Global markets being soft, we need to focus on providing better service to existing buyers with a view to growing business with them.

Further, innovating new products, using different yarns, and different processing techniques has become very important.

Lastly we are trying to expand our global reach with venturing into new markets.

This three pronged strategy will help your Company for its sales.

**Cautionary Statement**

All Statements made in this Report may be "forward looking statements" within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of the future events that are subject to risks and uncertainties. Actual future results and trend may differ materially from historical results, depending on variety of factors like changes in economic conditions affecting demand/ supply, price conditions in which the Company operates, Government regulations, tax laws and other statutes and incidental factors.