

PADAM COTTON YARNS LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDIAN ECONOMY WITH REGARD TO COTTON & TEXTILE INDUSTRIES

India has the largest area under cotton cultivation in the world, covering 12.7 million hectares of cultivated land, which constitute about 37% of the total area under cotton in the world. India has been a major exporter since 2005-06 and is currently the world's second largest exporter. Apart from these, cotton is a major component of the Indian textiles industry, which consumes over 70% of domestically produced cotton. Cotton is an important cash crop. India is a major player in global textiles market and garments. It is one of the few nations having strong presence across the textile value chain from natural and synthetic fibers to yarn, fabrics, blends and finished products.

OVERVIEW

The Indian textile industry is the second largest sector in the country after agriculture and in 2015-16, this sector employed 51 million people directly and 68 million indirectly. The Indian textile industry is export-oriented, facing many challenges, which can be primarily attributed to sluggish global demand and lower production of Indian textile industries than global parameters as well as deteriorating global competitiveness of the domestic textile industry. Despite falling prices, exports to neighboring countries like Pakistan and export to Europe seems to rise at a steady pace. The Indian textile industry is expected to grow further.

SWOT ANALYSIS

STRENGTHS & OPPORTUNITIES

India emerges as the second largest exporter after China having approximately 6% share in the global trade. The industry is taking all steps to promote textile exports, which is the need of the hour. The shift from China to India is expected to happen in the long run, to make India a dependable source of supply for the World. Your Company is exploring this opportunity as a long term impact. India's business environment is gradually becoming attractive and industry is expecting more investment in this section as many of the states are now focusing on their state policies to support textile and clothing industry. This will help them to bring in more investment from outside the state in their clusters which are suitable for textile industry. Our core strength is Regenerated colored cotton yarn. It is in great demand in world market as well as in domestic market. Your company is a leading manufacturer of regenerated colored cotton yarn. It is expected that scope of regenerated yarn will continue to grow further.

WEAKNESS AND THREATS

India has enough potential to double its market size in the long run. Yet, increasing competition from countries like Bangladesh, Vietnam, Pakistan and Sri Lanka due to favorable tariff structures on exports to developed markets like the US, EU, Canada, Australia, etc poses a significant challenge to Indian exports. Volatility in foreign currencies/dollar prices, fluctuation in demand from overseas market are also considerable factors in textile business.

Continuous increase in input cost such as labour, power, raw materials are some of the main factors which affect the profit margins. Further shortage of skilled manpower, is also major area of concern for textile industries.

FUTURE OUTLOOK

Since the government is keen to provide boost to investments in different sectors through its 'Ease of doing business' mission and policies, it is a long term initiative which will finally improve the GDP in coming years while increase in foreign exchange. It is expected that this shall drive investment and further growth in the textile industry as well. GST is also one of the important step in this direction which will encourage investors to take up the projects in states where they feel suitable. GST will unify the geographically and administratively fragment India's domestic market. GST is expected to create level playing field for all sub-sectors of textile including cotton and MMF. It is expected that that this will bring uniformity in taxes across all fibers of textiles.

The fundamental strength of your Company flows from its strong production base of regenerated colored cotton yarns/man-made fibers like polyesters etc. The Company has a robust framework for providing quality products at competitive prices by ensuring proper timeline.

INTERNAL CONTROL SYSTEM

A strong internal control is pervasive in the Company. The Company has a well established framework of internal control in all areas of its operations, including suitable monitoring procedures, competent and qualified personnel. The Internal Audit department also assesses the opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the Company. In addition to statutory audit, the financial controls of the Company at various locations are reviewed by the Internal Auditors, who report their findings to the Audit Committee of the Board. The

Audit Committee actively reviews the adequacy and effectiveness of internal control system and suggests furthering strengthening the same, if so required. The Committee meets to review the progress of the internal audit initiatives, significant audit observations, planning and implementation of follow up action required. The Company conducts its business with integrity and high standard of ethical behavior and in compliance with the applicable laws and regulations that govern its business.

POLICY ON PREVENTION OF SEXUAL HARASSMENT AT WORKPLACES

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention of Sexual Harassment at Workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Management of the Company has also constituted Internal Complaint Committees at its workplaces to consider and redress the complaints of Sexual Harassment. During the year under review, the Company has not received any complaint on sexual harassment.

RISK MANAGEMENT FRAMEWORK

Business risks exist for every Company having national and international exposure. Your Company also faces some such risks, the key ones are unfavorable raw material price, financial & liquidity & unexpected changes in regulatory framework. To ensure long-term success, it is therefore essential that risks be effectively identified, analyzed and then mitigated by means of appropriate control measures.

We have a comprehensive risk management system/policy in place, which enables us to assess, mitigate and to monitor the different risks exposed to the industry in which the Company operates and to take the appropriate action, where ever required.

HEALTH AND SAFETY MEASURES

The Company has health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable laws/legislative requirements. The Company believes that the health and safety of the workers and the persons residing in the vicinity of its plants is fundamental to the business. Commitment to the identification and elimination or control of the workplace hazards for protection of all is utmost importance.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The permanent employee strength of Company as on 31st March 2019 was two. The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The Company has been adopting methods and practices for Human Resources development. With utmost respect to human values, the Company continues to develop its human resources, through appropriate trainings, workshops, motivation/leadership techniques and employee welfare activities at regular intervals.

CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and yarn prices in the domestic and overseas markets, changes in government regulations, tax laws and economic developments.

SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

Particulars	FY 2017-18	FY 2018-19	YoY Change
Debtors Turnover (times)	1.03 times	NA	-1.03
Inventory Turnover (times)	NA	NA	NA
Interest Coverage Ratio (times)	NA	NA	NA
Current Ratio	2579.29	419.88	- 2159.41
Debt Equity Ratio	NA	NA	NA
Operating Profit Margin (%)	- 0.090%	NA	- 0.090%
Net Profit Margin (%)	- 0.15%	NA	- 0.15%

Reasons for significant changes: No Sale, Purchase During The Year

CHANGE IN RETURN ON NET WORTH

Particulars	FY 2017-18	FY 2018-19	YoY Change
Return on Net Worth (times)	-0.001 TIMES	-0.023 TIMES	-0.022

Detailed explanation:

Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results. : NA

By order of the Board

**Place: Karnal
Dated: 03.08.2019**

Sd/-	Sd/-
(Rajev Gupta)	(Vivek Gupta)
Director	Director
DIN 00172828	DIN 00172835