

## REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

Your Company is in the business of manufacturing & trading of Healthcare products, mainly Medical X-Ray Films and supply of other products to the Healthcare Industry. The other products of the Company include medical consumables and equipments. Your Company's growth is directly linked to the growth of the Healthcare Services Delivery business in India.

In India, People have lower access to health services than those in developed countries, and even within all countries, the poor tend to have lower access to health services. The primary challenge remains to improve access to healthcare, and to aim for universal health care which will ensure that the health care needs of the vulnerable and underprivileged population are also addressed.

India inherited basic and limited health care infrastructure which was inadequate to meet the demands of a large and diverse population. Even currently, Public healthcare facilities do not cover the country extensively, have inadequate quality standards in several facilities, are understaffed and are not properly equipped in terms of basic infrastructure and equipment. There has been a significant gap in the supply of healthcare services compared to the demand.

Given India's vast population and the complex nature of healthcare delivery, there remain huge challenges in ensuring equitable and quality healthcare for the entire population. India's existing infrastructure is just not enough to cater to the growing demand. The country's underlying healthcare system and outcomes fall significantly behind those of even regional and peer nations. India continues to report large number of incidences of communicable and water-borne disease and also ranks poorly on Child and Maternal mortality rates portraying an unsatisfactory picture of the country's general medical and public health conditions.

In the Union Budget 2018, the Government of India announced the 'Ayushman Bharat - National Health Protection Mission' (AB-NHPM), under which over 100 million poor and vulnerable families of the country will get access to quality healthcare through an insurance model. The Ayushman Bharat Scheme is considered as the biggest ever Government-sponsored health scheme launched by any country so far. The beneficiaries will be able to get free and cashless health insurance benefit upto Rs.5 lakh per family per year at empaneled public and private hospitals across the country.

### Year at a Glance:

The turnover of the company for the year under review has decreased to Rs.1896.95 lac from Rs.2432.52 lac. This was primarily due to reduced sale of low margin products.

Profit after Tax of the Company is Rs.85.57 lac for the year 2018-2019 as compared to Rs.128.55 lac for the 2017-2018.

### Product Wise Performance:

The products of your company can be divided into two broad classes Manufacturing and Trading. The manufacturing products mainly consist of Medical X-Ray films. The trading products consist of other consumables and equipments for the Healthcare Industry. During the year manufacturing goods turnover decreased from Rs.2078.95 to Rs.1396.55 lac (Gross) and the trading goods turnover has increased from Rs.259.43 lac to Rs.323.97 lac (Gross).

### Outlook:

India needs to capitalize more in public healthcare and build a robust health delivery system in all aspects, including infrastructure and human resources, with special focus on rural areas. Stepping up investment in public healthcare is essential to sustaining India's economic growth. Investing in health is investing in India's growth story."

Today, Indian healthcare funding is witnessing a vibrant progress of venture capital and private equity funds. Investor's interest in the healthcare space has significantly risen in the past few years.

Multinational players have consistently been focusing on the Indian health care market and trying to enlarge their presence through partnerships and investments. These trends indicate the rising investor confidence in the Indian healthcare space and the perception of India as an attractive healthcare investment destination.

### Opportunities:

India is highly cost competitive compared to the developed countries and certain Asian countries and constitutes a very attractive destination for foreign patients which has given rise to the medical tourism industry. Statistics reveal that treatment of major surgeries in India costs approximately 20% of that in developed countries. Further, Indian healthcare has benefited from an improving track record, greater sophistication of offerings and the recognition of the skill set of its medical professionals. Low treatment costs, presence of world-class hospitals and skilled medical professionals coupled with commendable initiatives by the Government towards supporting the medical tourism industry are all factors playing a significant role in strengthening India's position as a preferred destination for medical tourism.

The hospital and diagnostic centers attracted Foreign Direct Investment (FDI) worth US\$ 6 billion between April 2000 and December 2018, according to data released by the Department of Industrial Policy and Promotion (DIPP). Healthcare sector in India witnessed 23 deals worth US\$ 679 million in 2018 and India and Cuba have signed a Memorandum of Understanding (MoU) to increase cooperation in the areas of health and medicine, according to Ministry of Health and Family Welfare, Government of India.

The major initiatives taken by the Government of India to promote Indian healthcare industry are Pradhan Mantri Jan Arogya Yojana (PMJAY), to provide health insurance worth Rs 500,000 (US\$ 7,124.54) to over 100 million families every year, Ayushman Bharat-National Health Protection Mission as a centrally Sponsored Scheme contributed by both Center and state government and Mission Indradhanush with the aim of improving coverage of immunisation in the country. It aims to achieve atleast 90 per cent immunisation coverage by December 2018 which will cover unvaccinated and partially vaccinated children in rural and urban areas of India.

With all this, India is considered as land full of opportunities for players in the medical devices industry.

**Risks, Concerns and threats:**

The competitive intensity from unorganized as well as organized players continues to remain high. Given the growing demand, the emergence of private players and huge investment needs in the health care sector in recent years, there has been interest among foreign players and NRIs to enter the Indian health care market. There is a growing interest among domestic and international financial institutions and consortiums to explore investment opportunities across a wide range of health care segments.

With increase in competition, margin of product manufactured and traded has decreased significantly which further leads to increase in operating cost and result in an undesirable impact on the Company's results of operations and financial condition.

Over the course of the last three years, there have been regulatory headwinds for the sector such as price caps on stents and implants, demonetisation, and higher incidence of GST on input goods and services, accumulation of unutilized ITC due to higher tax rate on inputs than the output supplies.

**Internal Control Systems and their adequacy:**

The Company has instituted internal control systems to commensurate with nature of its business. An Internal Audit is conducted at all the branches of your Company as well as the factory at Silvassa by an independent qualified Chartered Accountant. Your company also has an Audit Committee having Independent Directors as its members in place. The Internal Audit Reports are placed before the audit committee at every meeting of such committee which are reviewed and scrutinized by the committee.

**Human Resources:**

Total number of employees as on 31st March, 2019 stood at 53, who form the experienced, educated and hard working pool of Human resources. Your Company's industrial relations continued to be cordial during the year under review. Your Company conducts regular in-house training programs for employees at various levels. Employees are also sent for selected external training programs.

Your Company has constituted Vigil Mechanism policy for Director and employees to report genuine concerns.

**On behalf of the Board of Directors**

**Sd/-  
Anil Choksi  
Director**

**Sd/-  
Gaurav Choksi  
Director**

Registered Office :

**Choksi Imaging Limited**

**(CIN:L24294DN1992PLC005560)**

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Silvassa - 396 230 (U.T.)

Place: Mumbai

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