

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMY OVER VIEW:

Growth in 2017 and outlook for 2018

World growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia and an upswing in emerging Europe.

Across advanced economies, the 0.6 percent pickup in growth during 2017 relative to 2016 due to investment spending, which remained weak since 2008-09 global financial crisis. Across emerging and developing economies, the 0.4 percent pickup growth in 2017 came primarily from an acceleration in private consumption. But the picture is mixed within the group. Growth in China and India was supported by resurgent net exports and strong private consumption, respectively, while investment growth slowed.

Global growth is expected to tick up to 3.9 percent in 2018 and 2019, supported by strong momentum, favorable market sentiment, accommodative financial conditions and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should allow conditions in commodity exports to gradually improve.

Growth in emerging and developing economies is expected to increase further from 4.8 percent in 2017 to 4.9 percent in 2018 and 5.1 percent in 2019. Although the high growth rate reflects primarily due to continued strong economic performance in emerging Asia, the projected pickup in growth reflects improved prospects for commodity exports after three years of very weak economic activity.

Growth in India is projected to increase from 6.7 percent in 2017 to 7.4 percent in 2018 and 7.8 percent in 2019 lifted by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national goods and services tax. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivize private investment.

OPPORTUNITIES AND THREATS:

Opportunities:

1. Sign of improvement in economic activities in the country.
2. Prediction of normal monsoon.
3. Increased domestic consumption.
4. Improved exports of yarn to China.

Threats:

1. Supply and demand mismatch.
2. Volatility in cotton prices.
3. Shortage of skilled man power.

SEGMENT WISE PERFORMANCE:

Agency Division

Due to lower margins to the textile mills during the implementation pace of GST, the off take of machineries by the mills was restricted which affected the performance of this division.

The total revenue of this division during 2017-18 was Rs. 1822.95 Lakhs. Profit Before Tax was Rs. 864.48 Lakhs compared to Rs. 1005.54 Lakhs during the previous year.

Textile Division

Mismatch of cotton and yarn prices coupled with GST implementation and shortage and high cost of labour have affected the margins. The Company has increased the production of micro modal yarn in which margins were better. However the advantage of captive wind power has helped the division to earn reasonable profits.

This division earned a Profit Before Tax of Rs. 1636.33 Lakhs compared to Rs. 1479.63 Lakhs during the previous year.

Engineering Division

Lower demand of the capital goods manufactured by OEMs resulted into lower turnover and margins. Competition from various manufacturers in gear boxes have affected the pick up of gear boxes sales.

This division incurred a Loss of Rs. 239.06 Lakhs as against the Profit Before Tax of Rs. 90.98 Lakhs during the previous year.

EXPORTS:

The Company has directly exported its products valued at Rs. 1051.77 Lakhs in 2017-18. Exports through merchant exports were Rs. 2896.31 Lakhs. As the Company is required to fulfill Export obligation to the extent of Rs. 11855 Lakhs before 31st March, 2019, efforts have been taken to increase the exports substantially during the current year.

PROSPECTS:

As the economy is inching back to normalcy after the initial glitches in the implementation of GST, the performance of the Company is expected to improve in the current year. However the production of cotton, the major raw material for spinning, depends up on the timely rains and remunerative prices to the farmers and hence there may be price volatility which in turn may impact the performance of your Company. Through policy measures of the Government in partnership with industry, the Textile market is expected to reach US \$ 300 Billions by the year 2025 and create an additional 35 million jobs. Apart from Central Government schemes, some State Governments have also launched their textile policies under which several incentives are provided for investment in textile sector.

RISK AND CONCERN:

The volatility in the cotton price is a major concern. The increasing price of crude oil and basic metals is also expected to result in reduced margins. In the export front the competition is severe and exporters are finding it difficult to match the prices in view of the cut in the duty draw back.

INTERNAL CONTROL SYSTEM AND ADEQUACY:

The Company has an adequate internal control system commensurate with its size and nature of its business. Management has overall responsibility for the Company's internal control system to safeguard the assets and to ensure reliability of financial records.

The Company has a detailed budgetary control system and the actual performance is reviewed periodically and decision taken accordingly.

Internal audit programme covers all areas of activities and periodical reports are submitted to the Management. Audit Committee reviews all financial statements and ensures adequacy of internal control systems. The Company has a well-defined organization structure, authority levels and internal rules and guidelines for conducting business transactions.

FINANCIAL PERFORMANCE AND ANALYSIS:

(Amount Rs. in Lakhs)

Particulars	2017-18	2016-17	Change	Percentage
Income from Operations	25522.14	23741.92	1780.22	7.50
Other Income	254.98	419.37	(164.39)	(39.20)
Profit before Interest & Depreciation	3971.86	4227.80	(255.94)	(6.05)
Interest	601.85	541.74	60.11	11.10
Profit before Depreciation	3370.01	3686.06	(316.05)	(8.57)
Less: Depreciation	1717.55	1658.26	59.29	3.58
Profit before Tax and exceptional item	1652.46	2027.80	(375.34)	(18.51)
Profit after Tax	1420.98	1457.18	(36.20)	(2.48)

HUMAN RESOURCES:

The Company's HR objectives aim to develop and train each individual to perform to his fullest capacity, achieving individual excellence and company's Goals. The shortage of man power in the Textile division has become a severe problem and efforts have been taken to mitigate the same. The number of people employed was 743.

CAUTION:

Statements in the management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be considered as "forward looking statements" within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. The factors that might influence the operations of the Company are demand-supply conditions, finished goods prices, raw material costs & availability, change in the government regulations, WTO and natural calamities over which the Company has no control.

The Company assumes no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

For and on behalf of the Board

SANJAY JAYAVARTHANEVELU

Coimbatore
29th May, 2018

Chairman
DIN 00004505