ANNEXURE- I TO THE DIRECTORS' REPORT-2018

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of the Company is pleased to present the Management Discussion and Analysis Report (to the extent applicable to the Company) covering overall performance and outlook of its activities.

MACRO ECONOMIC OVERVIEW

Indian Economy:

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased to 6.6 per cent in 2017-18 and is expected to grow at 7.3 per cent in 2018-19. India's Gross Domestic Product (GDP) at constant prices grew by 7.2 per cent in September-December 2017 quarter as per the Central Statistics Organisation (CSO). Corporate earnings in India are expected to grow by 15-20 per cent in FY 2018-19 supported by recovery in capital expenditure. With the improvement in the economic scenario, there has been an increase in investments in various sectors of the economy.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, the Hon'ble Prime Minister of India, has launched the Make in India initiative with an aim to boost various sectors of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors.

NBFCs serve as an important lending machinery that supports the government's financial inclusion mission. NBFCs have scripted a great success story and their contribution to the economy has grown from 8.4% in 2006 to above 14% in March 2015. In terms of financial assets, NBFCs have recorded a healthy growth - a Compounded Annual Growth Rate of 19% over the past few years-comprising 13% of the total credit and expected to reach nearly 18% by 2018-19.

As per the RBI Report, the aggregate balance sheet size of the NBFC sector was at Rs. 13.8 trillion in September 2017, expanding by about 16 per cent, as compared to Rs. 11.9 trillion in September 2016. Loans and advances increased by 15.7 percent, whereas, investments increased by 15.8 percent. Net profit increased by 4.7 per cent in September 2017 (y-o-y). RoA was at 1.9 per cent in September 2017.

We believe that the growth momentum of NBFCs will result in increasing their share in the financial services sector in the near future.

The Company

Your Company is a registered NBFC with RBI since 22nd May, 2009. The mainstay of Company's operations continued to be investments in various companies, under which steady dividend income flows into the Company coupled with sustained appreciation in capital. During the year under review your Company has earned income in the form of dividends, rent, interest on ICD lending activity and profit on sale of investments.

Your Company focuses on two broad categories: (i) Commercial Finance and (ii) Investments. The Company's product suite are given below :

Verticals	Product
Commercial Finance	Inter-Corporate Deposits
Investments	Investments mainly in listed entities and mutual funds

The Company's loan/Investment book continued to remain strong due to its cautious stance on growth and robust risk management. Prudent asset liability management (ALM) and a judicious mix of borrowings from NBFC lenders, have helped in reducing its cost of borrowings in FY 2018. Its capital adequacy remains at a healthy 98.00%.

Financial Performance

Your Company's standalone financial performance for FY 2018 vis–à–vis the previous year is given below:

Standalone financials :

Rs. in lakhs

Particulars	FY2017-18	FY2016-17
Total Income	**16,895.49**	3,000.50
Finance Costs	**370.18**	638.09
Net Income	**16,525.31**	2,362.41
Operating Expenses	**355.08**	346.68
Profit Before Tax	**16,170.23**	2,015.73
Profit after Tax	**12,880.25**	1,718.63

The consolidated accounts provide a more accurate representation of the Company's performance as compared to the standalone.

Consolidated financials :

Your Company's consolidated financial performance for FY 2018 vis–à–vis the previous year is given below. Chart A plots profits after tax over the last five years, while Chart B plots the movement of net owned funds.

Consolidated financials :

Rs. in lakhs

Particulars	FY2017-18	FY2016-17
Total Income	**17,950.82**	3,304.07
Finance Costs	**370.18**	639.65
Net Income	**17,580.64**	2,664.42
Operating Expenses	**500.22**	411.66
Profit Before Tax	**17,080.42**	2,252.76
Profit after Tax (after adjustment of Minority Interest)	**13,530.47**	1,904.20

Chart A : Profit After Tax (Rs. in lakhs)

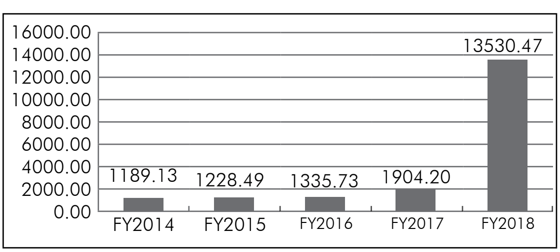
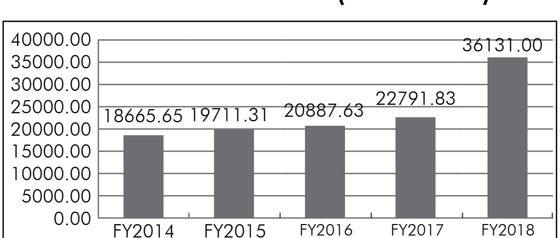


Chart B: Net Owned Funds (Rs. in lakhs)



Asset Liability Management (ALM)

The Company's Asset-Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset-liability mismatches to ensure that there is no imbalance or excessive concentration on either side of the Balance Sheet. The Company continues to very closely monitor liquidity in the market and as a part of its ALCO strategy, maintains a liquidity management desk to reduce its liquidity risk. Asset Liability Management Committee comprises of two Directors and Chief Financial Officer. The ALCO meets once a quarter. Monitoring the gaps for taking necessary remedial action is the basic responsibility of the ALCO.

FULFILMENT OF RBI'S NORMS AND STANDARDS

SIL Investments Limited fulfils and often exceeds norms and standards laid down by the RBI relating to the recognition and provisioning of non-performing assets, capital adequacy, statutory liquidity ratio, etc. The capital adequacy ratio of the Company is 98.00%, which is well above the RBI norm of 15%.

The Company's subsidiaries also successfully adhered to the RBI guidelines and were able to maintain gaps within the prudential norms all the time.

INVESTMENTS

The investment portfolio of the Company in quoted investments as on 31st March, 2018 was Rs. 10,585.62 lakhs, at cost.

RISKS AND CONCERNS

Your Company is exposed to specific risks that are particular to its businesses and the environment within which it operates, which include market risk, interest rate volatility, execution risk and economic cycle.

- The Company has significant quoted investments which are exposed to fluctuations in stock prices. These investments represent a substantial portion of the Company's core capital and are vulnerable to fluctuations in the stock markets. Any decline in these quoted investments may severely impact its financial position and results of operations.
- Credit risk is a risk arising from default or failure on the part of borrowers in meeting their financial obligations towards repayment of loans and interest. This risk is comprehensively addressed by the Company both at the strategic level and at the client level.

- Liquidity Risk: Asset/Liability Management: The Company is exposed to liquidity risk principally as a result of lending to its customers for periods which may differ from those of its funding sources. Financial firms are now increasingly focused on asset-liability risk. Asset-liability risk is a leveraged form of risk. The capital of most financial institutions is small relative to the firm's assets or liabilities, hence small percentage changes in assets or liabilities can translate into large percentage changes in capital.

  The risk is that the value of assets might fall or that the value of liabilities might rise. It was that Capital might be depleted by narrowing of the difference between assets and liabilities—that the values of assets and liabilities might fail to move in tandem. The Company is alive to the dynamics of this risk and has in place a control structure for closely monitoring incipient signs of risk in this area and to take necessary corrective measures, if needed. The Company's treasury actively manages asset liability positions in accordance with the overall guidelines laid down by the management in the Asset Liability Management (ALM) framework.
- The Company can be adversely affected by volatility in interest rates in India, which could cause its margins to decline and profitability to shrink. Earnings from interest income is steadily becoming one of the important businesses of the Company. It is therefore exposed to interest rate risk, principally as a result of lending to its customers at interest rates, in amounts and for periods which may differ from those of its funding sources. Your Company is hedged to a large extent against this risk through the reset clause in its advances portfolio.
- While the Indian economy has shown sustained growth over the last several years, a slowdown could cause the business of the Company to suffer. The Company manages such risks by maintaining a conservative financial profile and following prudent business and risk management practices.
- The risk appetite is enunciated by the Board from time to time. The Company has in place specially mandated Committees such as ALCO, Risk Management Committee, besides Nomination and Remuneration Committee and Audit Committee.

INTERNAL CONTROL SYSTEMS

The Company has an independent internal control system which is commensurate with the size and scale of the Company. It evaluates the adequacy of all internal controls and processes and ensures strict adherence to clearly laid down processes and procedures as well as to prescribed regulatory and legal framework. Conforming to the requirements of regulatory authorities such as the RBI and the SEBI and consistent with the requirements of the Listing Regulations of the Stock Exchanges, the Company has institutionalized an elaborate system of control processes designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, reliability of financial controls and compliance with applicable laws and regulations. The Internal Auditors are mandated to carry out periodical audit and report on areas of non-compliances / weaknesses. Corrective actions in case of reported deficiencies, if any, are taken actively to further strengthen the internal control systems. These reports are reviewed by the Audit Committee of the Board of Directors for follow-up action and instructions are issued for taking necessary measures.

FUTURE OUTLOOK

The Company's present business operations are preponderantly that of an investment company, future of which largely depends upon financial and capital markets. Your Company has investments in financially sound companies and has immovable properties in the State of Maharashtra, U.P., etc. The Company will continue to earn good dividend and rent income. However, the income from the advances/lending business is steadily growing, contributing significant volume to the overall business of the Company. The management is optimistic about the future outlook of the Company. Further, more promising areas of activity are being explored on a sustained basis. The Company will expand its activities, consistent with its status as a NBFC.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations include changes in Government regulations and tax regime, economic developments within India and abroad, financial markets, etc.

The Company assumes no responsibility in respect of forward-looking statements that may be revised or modified in future on the basis of subsequent developments, information or events. The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 2013 ("the Act") and comply with the Accounting Standards notified under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006. The management of the Company has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect a true and fair manner, the state of affairs and profit / loss for the year. The narrative on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.