

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Over the last two decades, several areas of the economy have been deemed sunrise sectors. One of the them is Aerospace and Defence manufacturing sector. India has one of the largest defence budget's in the world.

The Company has increased its customer base with the addition of new customers in Aerospace and Defence activities.

OPPORTUNITIES

With the Government opening up and providing enormous opportunities to the private sector, many global and domestic players are collaborating and having joint ventures for manufacturing of aero components, Maintenance, Repair and Overhaul (MRO) facilities for civil and military aviation sectors. The ongoing Government initiative in the outer space missions has opened up new opportunities.

Increase in air passenger traffic with a resultant growth in airline fleet sizes is expected to increase demand for MRO facilities of civil aircraft.

THREATS

Aerospace & Defence manufacturing and MRO sector faces severe challenges in form of obsolescence due to new technology, dominance of emerging domestic and international players and delays in finalizing the orders. Economic downturn also is likely to have an adverse impact on the business.

OUTLOOK

Strong collaboration between the government and the private sector is expected to help close the gap between Indian and Western manufacturers. With more demand and competition, India has a great potential to transform itself into an aerospace manufacturing hub soon.

RISKS AND CONCERNS

Manufacturing for the aerospace sector is a complex exercise which is capital-intensive, has high technological requirements and a prolonged gestation period. While the industry has come a long way, it is still evolving to overcome the challenges of costly raw materials, skilled labour and technological requirements. Apart from above, any changes in government policies may adversely impact the business making it economically unviable.

INTERNAL CONTROL SYSTEMS

Through regular internal review systems, the Company's internal control system is being strengthened periodically meeting the needs of Manufacturing & Services Division.

DIVISION WISE PERFORMANCE

The Company has two divisions – manufacturing and Services.

The manufacturing division is associated with the manufacturing of aerospace components & structures. The majority of the

revenue of the division is derived from supplies to the defense sector and participating in their up-gradation program.

The services division generates income from aviation related infrastructure facilities including runway and hangars.

The division wise revenue of the Company for FY 2018-19 as compared to previous period is given below:

(Rs. in Lakhs)

Name of the Division	2018-19	2017-18
Manufacturing	588.89	552.31
Services	2,683.97	2,598.65
Total	3,272.86	3,150.96

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

The Company maintained good industrial relations with its employees and staff. Human Resources remained a key focus area for your Company during the year under review. As on March 31, 2019, the Company had 151 permanent employees.

KEY FINANCIAL RATIOS

In accordance with the SEBI (Listing Obligations and Disclosure Requirements 2018) (Amendment) regulations 2018, the Company is required to details of significant changes (Change of 25% or more as compared to the immediately previous financial year) in key sector specific financial ratios. The Company has identified the following ratios as key financial ratios:

Particulars	2018-19	2017-18	Change
Debtors Turnover (times)	4.45	7.41	(40%)
Inventory Turnover (times)	10.55	6.46	(63%)
Interest Coverage Ratio	2.32	1.05	120%
Current Ratio	0.88	0.92	(4%)
Debt Equity Ratio	0.34	0.41	(17%)
Operating Profit Margin (%)	44.3	26.10	70%
Net Profit Margin (%)	15.80	0.50	3212%
Return on Net Worth (%)	5.60	0.20	3164%

Debtors turnover ratio have decreased due to increase in the credit period. Inventory turnover ratio has increased as a result of significant increase in the job work income. All other ratios have improved due to increase in profits during the year.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's expectations or predictions are 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government regulations, tax regime, economic developments within the country and other factors such as litigation and labour negotiations.