MANAGEMENT DISCUSSION AND ANALYSIS

The management of Todays Writing Instruments Limited (TWIL) is pleased to present the overall analysis of the Company's performance during the year under review and a brief assessment of the future outlook and prospects.

INDUSTRY OVERVIEW

The new tax regime, the Goods and Services Tax (GST) brings massive changes in one of the largest economies of the world. The GST will change the way people conduct businesses in India as the country will become a single market with a single tax rate, irrespective of the state you conduct your business in. The effect of the new tax regime will be proportional to the size of the entity but ultimately it will be the end user who will bear the brunt of higher tax rate or get the benefits of lower taxes. The stationary products and pens (other than Fountain pens, stylograph pens) are taxed at 12%under GST .The proposed imposition of the Goods and Services Tax is expected to accelerate the transition of the unorganized market towards the organized.

Despite an increase in the use of computers and smart-phones, the purchase of pen and paper continues unabated. Over the years, the industry has undergone a number of technological advancements in terms of raw materials, ink and metal used in the making of writing instruments, which increase user friendliness. The Indian writing instruments industry presently consists of 15 large-scale, 100 midsize, and 900 small scale manufacturing units and these have a total production capacity of over 10 million units on a daily basis. In terms of exports, India was not considered a major export player until now because of high domestic demand. However with the industry planning to expand in terms of manufacturing, supply and infrastructure, exports are set to become an important part of the industry

BUSINESS OVERVIEW

The business prospects are promising but the Company has been struggling with legacy issues and lack of working capital. The settlement with the lenders has been progressing in a manner which is slower than anticipated. Due to these constraints the performance of the Company has been disappointing. In order to ensure that the working capital of the Company is conserved the Company has not been exporting directly since the last two years and has been conserving the working funds for the domestic business.

The emerging scenario provides opportunity to improve domestic and export sale provided we are successful in improving the market infrastructure to exploit the situation to the advantage of the Company.

OPPORTUNITIES AND THREATS

The opportunities are immense in view of the developments stated above. The anti-dumping duty on Indian pens in a few countries has been a dampener and the industry is collectively addressing the issue. The currency risk is being closely monitored as sudden fluctuations can affect margins since the Company does not have any bank limits to hedge currency risk. The new FDI policy and the sudden spurt of investment in the equity market by FIIs coupled with the low price of crude and commodities, serious issues in the Euro Zone and US economy giving conflicting signals, have resulted in the rupee gaining strength. The BREXIT effect is yet to pan out. However, the cost reduction that has been achieved due to continuous efforts over the last few years will stand us in good stead. The opportunities in the domestic market are decent and demand has been growing at a healthy pace.

However, the Company due to working capital constraints is not in a position to tap available opportunities. The plant is slowly moving towards closure due to financial constraints

OUTLOOK

The outlook for the industry is bright and foreign players are keen to tie up with domestic companies to take things forward. With the consolidation that is happening at our end there could be exciting possibilities in the years ahead.

RISK MANAGEMENT

The Company is operating in a very healthy competitive environment. The risk related to operating performance and sustainability is ever increasing. The Company has been successfully withstanding competition by providing quality pens at affordable prices. Long healthy relations with the suppliers have enabled Company to procure the raw materials on time and at competitive prices. With the increasing government spend on education and increase in awareness and activism in Right to Education, India's stationary market is poised to grow significantly. Besides growing per capita income, increased student enrolment and enhanced literacy are expected to catalyze the demand for writing instruments. Also, marketing and distribution risk is very well managed as the Company has a robust distribution network with reach from metropolitan cities to rural areas.

INTERNAL CONTROL SYSTEM

The Company has implemented Internal Control System commensurate with the size of operations of the Company. Adequate checks are put in place for correcting any deviations from the installed processes. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

FINANCIAL AND PRODUCT WISE PERFORMANCE

The declining sales and the serious working capital issues are taking a toll on the performance of the company. The losses have increased and sales have fallen considerably. The plant is operating on very low capacity utilisation. The power has been disconnected due to non renewal of guarantee and the non payment of dues in the last month. The Management is actively considering options including a reference under the the Insolvency and Bankruptcy code for a resolution plan.

The product wise performance cannot be measured as we are unable to supply against the orders due to the working capital constraints. However, it is evident that there is demand based on the enquiries that we have been receiving for supply of pens.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRY RELATIONS

The Company has maintained cordial relations with the Industry as a whole and has also extended all possible efforts to the overall development and progress of the Industry.

Company is ever thankful for the dedicated efforts of its human resource. Company's human resource is its biggest asset which has helped the Company to surpass and stand out in competition with other players in the industry in the light of the current constraints The Company would also like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review.

FORWARD LOOKING STATEMENT

All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. The Company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The Company assumes no responsibility to publicly amend modify or revise any such statements on the basis of subsequent developments, information or events.