

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **COMPANY PROFILE**

Swaraj Automotives Limited (SAL) is manufacturing seats for tractors & light commercial vehicles and seating mechanism systems for cars & passenger vehicles and agri implements. The product line of the Company includes seats, seat adjusters/sliders, seat recliners, and agri implements.

### **FINANCIAL ANALYSIS (2017-18)**

While details of financial position and performance are available in the Balance Sheet, Statement of Profit & Loss, along with related notes, key aspects are highlighted in the following paragraphs:

#### **(A) Statement of Profit & Loss**

##### **Income:**

Total revenue for the year was Rs.114.64 crores (previous year Rs.93.98 crores) with the following breakdown:

	(Rs. in Crores)	
	<b>2017-18</b>	<b>2016-17</b>
Seats, Seat mechanism & its components	88.72	80.42
Agriculture implements	24.39	12.12
Others	0.60	0.45
<b>Net Revenue from Operations</b>	<b>113.71</b>	<b>92.99</b>
Other Income	0.93	0.99
<b>Total Revenue</b>	<b>114.64</b>	<b>93.98</b>

With a comfortable fund position throughout the Financial Year 2017-18 and after meeting operations requirement, interest income for the year was Rs. 0.64 crore (previous year Rs. 0.65 crore). Other miscellaneous income for the year stood at Rs. 0.13 crore (previous year Rs.0.31 crore).

##### **Expenses:**

Material cost as a percentage of net revenue from operations at 73.4% was higher than last year's level of 71.3%.

Personnel cost during the year was Rs. 16.95 crores (previous year Rs.15.96 crores) and in terms of percentage of net revenue from operations comes to 14.9% (previous year 17.1%).

Other expenses, consisting of manufacturing expenses, administrative expenses and sales & distribution expenses during the year were Rs. 8.21 Crore (last year Rs. 7.52 Crores), 7.2% in terms of percentage of net revenue from operations (last year 8.0%).

Depreciation for the year at Rs. 0.90 crore was higher as compared to last year's Rs. 0.75 crore.

Reflecting the above and after considering finance cost and prior period adjustments, Profit Before Tax reached Rs. 4.96 crores (previous year Rs. 3.39 crores). After providing for corporate tax, Profit after Tax for the current year was Rs. 3.52 crores (previous year Rs.2.28 crores).

#### **B) Balance Sheet**

##### **Equity & Reserves**

The Company's net worth as on 31st March, 2018 stood at Rs. 31.26 crores comprising of an Equity component of Rs. 2.40 crores and Reserves & Surplus of Rs. 28.86 crores - a book value of Rs. 130 per share (previous year Rs. 120 per share).

**Fixed Assets**

Gross Block and Net Block of fixed assets on 31st March, 2018 stood at Rs. 28.59 crores (previous year Rs. 25.88 crores) and Rs. 13.30 crores (previous year Rs. 10.30 crores) respectively. Additions during the year were primarily towards plant & machinery, Software and development expense.

Capital work in progress at the year-end stood at Rs. 0.09 crore (previous year Rs. 0.03 crore).

**Inventories**

Raw material & components and stores & spares, total year-end Inventories increased to Rs. 6.34 crores against previous year's Rs. 5.60 crores. The same in terms of number of days of operating revenue stood at 20 days (Last year 22 days).

**Trade Receivables**

Due to increase in sale of agri implements at end of year, trade receivables of fiscal 2018 was Rs. 30.77 crores against Rs. 19.32 crores of last year. The same has been increased in current year as compare to last year due to GST impact included in trade debtors. The same in terms of number of days of operating revenue stood at 84 days (last year 68 days) by taking sales figures after including GST amount.

**Trade Payables**

Year-end trade payables stood at Rs. 27.98 crores (previous year Rs. 18.36 crores).

**INTERNAL CONTROL SYSTEM AND ADEQUACY**

The Company has established procedures in place for internal control. The policies and procedures have been laid down with an objective to provide reasonable assurance that assets of the Company are safeguarded from risks of unauthorised use / disposition and the transactions are recorded and reported with propriety, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audit. The Company has also laid down adequate internal financial controls. During the year, such controls were tested and no material weakness in their operating effectiveness was observed. The Company's Finance & Accounts function is adequately staffed with experienced and qualified personnel and they also participates in preparation/monitoring of the Company's budget. Internal Audit Reports are reviewed by the Audit Committee of the Board from time to time.

**HUMAN RESOURCES**

The Company has a highly committed, loyal and dedicated team. The Company promotes an atmosphere which encourages learning and informal communication within the organisation. The Company is having Performance Management System (PMS) to objectively measure the performance of the individual and the organization. The overall remuneration structure is linked with PMS. The Company also has a training need identification system in place for enhancing the learning and competency level of the employees from time to time. This has made a significant contribution to the Company's business. Industrial relations were cordial throughout the year under review.

Regular employee strength as on 31st March, 2018 stood at 222 (31st March, 2017 - 206).

**INDUSTRY STRUCTURE AND DEVELOPMENTS**

As the Company is in the business of supplying seats, seat mechanism systems and agriculture Implements to various tractor, LCV, Car and Agri product manufactures. It would be appropriate to take a look at the trends that are prevailing in relevant automobile sectors.

Indian automobile industry is growing on a faster pace in the world, in terms of volume. While Car, Tractor and commercial vehicle industry have a mix of local and international players, in the Fiscal

2018, the domestic tractor industry has shown an impressive growth of 22%. Car industry has shown a growth of 8% in the fiscal 2018. Commercial vehicle has also shown a growth of 13% in fiscal 2018.

### **OUTLOOK OPPORTUNITIES**

The domestic tractor industry has shown growth in continuously second year and registered a growth of 22%. In FY2017-18, The automobile industry also performed well and is sustaining its momentum. It is expected that the tractor and automobile industries will perform good in the near term. Factors like government continuous thrust on strengthening rural sector, infrastructure development, make in India, skill India, and launch of new models by vehicle manufactures, changing buying pattern, replacement demand etc. along with another good monsoon forecast and overall improvement in economic fundamentals will be the positive drivers for tractor and automobile industries in the medium to long term. The optimistic outlook of tractor and automobile industries will give boost to the demand for auto components as well and as a component supplier, the prospects of Company's business also looks good.

Government of India has come up with plan to rapidly promote the use of Electric vehicles - EV in India. We also look forward for a growth in our seat mechanisms as per market requirements for electric vehicles.

### **New developments**

Under "Make in India" initiative of Indian government, India is poised to become manufacturing hub. The Automobile sector is one of the prominent sector to contribute to the manufacturing industry in India. Most of the international automobile giants have either set up their plants or they are in the process of setting up their manufacturing facility in India. Western and Southern regions of India has become manufacturing hub of automobile sector. Automobile Manufacturers (OEMs) prefer its suppliers to be nearby of their plant, so, your company has established another manufacturing facility in Dharwad, Karnataka to cater the increasing demand of seats and seat mechanisms. This plant had started its production on 24 Jan 2018. We have used modern techniques like robotic welding and started manufacturing seat frames and eventually seats and other products manufacturing will also start at this plant.

Your company is also planning to start supplies of seats to Indian Railways and aggressively working on the same.

According to the business strategy of the new management, your company has forayed into another strategic business segment of "Agriculture implements" which is a prominent segment with high growth potential.

### **THREATS, RISKS & CONCERNS**

As your Company supplies components to tractor and automobile OE manufacturers, the Company would be directly affected by the factors impacting tractor industry and automobile industry. These would include issues like quantum of rains spread, Government policy on procurement, enforcement of safety / emission regulations, availability of credit, change in interest rates, commodity price trends, increasing intensity of competition etc.

### **CAUTIONARY STATEMENT**

*Statement in the Management Discussion and Analysis Report describing company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.*