



ANNEXURE III

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Annexure to Directors' Report)

(**Note:** This discussion covers the consolidated financial performance of Cranes Software International Limited and its subsidiaries)

Overview

Cranes Software International Limited (NSE: CRANESSOFT, BSE: 512093), is a global scientific & engineering products and solutions provider. The Company's business interests have focused on software products (proprietary products and product alliances), Solutions (Business Data Analytics & Engineering Services) and Services (training in niche domain areas). The company is dedicated to excellence and recognized leadership in technical software products and training services and will remain focused on product development, consulting, distribution and training.

Global Business Environment

Gartner Report for IT Services Worldwide, 2013-2019 forecasts shows the market reaching nearly \$914 billion in 2015, growing 3.8%. With outsourcing contributing more than half of market growth in constant currency, the market will reach \$1.1 trillion in 2019.

In the IT sector, fundamental aspects of the business landscape continue to favour offshore outsourcing through the growing trend of global delivery, despite the recent political challenges caused by BREXIT and the upcoming US congressional elections this year. It will be a wait and watch game for most IT outsourcing companies this year despite early trends.

Cranes Software: Business Initiatives & Structure:

The Company has continued its focus on maintaining the stability and growth of its core businesses based on essential business transformation which leverages its legacy recognition, strengths and core competencies as well as its worldwide presence. In the year under review, the Company also continued to improve operational effectiveness, optimize costs and increase market reach across its businesses. These initiatives have positively impacted the current year business revenues and improved operating margins; with essential capital infusion and strategic leadership support, we believe the Company is now poised for significant evolution and growth.

Your Company Management has dedicated itself since the 2007-2008 global crisis leading to Cranes' dire financial difficulties, and particularly the past three years, to somehow protecting the interests of its stakeholders (including shareholders, employees and business partners) at all costs. Responsive debt-freeing and litigation-freeing actions on your behalf have included negotiated settlements to clear up a wide range of institutional debts and financial liabilities to employees, vendors and partners, as well as careful resolution of potentially back-breaking legal, statutory and compliance cases. Critical funding for this debt-free, litigation-free approach was secured by way of an angel investor who loaned hundreds of Crores in reliance upon the Cubeware, ETA and DSG foreign subsidiaries as pledged collateral; it is significant and fortunate for the Company that this timely infusion of funds kept your Company from shutting down to the huge detriment of its stakeholders. Despite the best planning and efforts of Management, Cranes' deep financial crisis lead to inability to settle these loans and the unavoidable pledge-based transfer of these subsidiaries' shares, as reflected in the Balance Sheets reported by your Company. Having somehow saved the overall Cranes parent business for its valued stakeholders through these continuing crises, Cranes Management is now dedicated to stabilizing and reviving the 'new' Cranes by adapting from its heavy-duty Enterprise Software, Business Intelligence & Engineering Technology structure and manpower staffing orientation and evolving to a nimble, Assets-Lite and IP-rich business targeting its core strengths in the Technology/Industry education and training arenas.

On a standalone basis, the Company's Cranes Varsity division has reinforced its position in the training and education market. Some of the highlights this year are as follows:

Corporate:

1. Serving Indian Naval Academy for Matlab related Trainings.



2. Major tie up with BEL Academy of Excellence through which can reach all BEL units PAN India for delivering Technology Trainings.
3. Exploring Big Data Analytics, IoT, Software Testing training market which has huge market demand.
4. Delivered 16 Batches of training on MATLAB for Defence Institute of Advanced Technology (DIAT).

Academia:

1. Conducted Workshops in more than 15 colleges and trained 1400+ undergraduate & postgraduate students.
2. Successfully executed 25+ academic projects which were well received by students and colleges.
3. Conducted Placement Oriented Program (POP) in Oxford College of Engineering-Bangalore, Techno India NJR Institute of Technology-Rajasthan, Centurion University-Odisha, Er. Perumal Manimekalai College of Engineering-Tamil Nadu, KVG college of engineering-Karnataka.

Retail Training:

1. Launched trainings program on VLSI, IoT and BigData Analytics.
2. Trained 800+ students for the year.
3. Issued customized Hardware ARM boards (LPC 2129) for self learning to students.
4. Introduced online module test for in-house students.

Placements:

1. Major clients for Placements –Tata Elxsi, VeriFone, L&T Technology Services, American Megatrends, Continental Automotive, Mindtree, Harman, Robert Bosch, Safran Engineering, Sasken, MYMO Wireless.
2. New Clients – HCL, Mahindra Electric, Renault Nissan, Rockwell Collins, Siemens.
3. Placement statistics – 78%.

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs. 845 million, increase from Rs. 293 million. The after tax position was a loss of Rs. 752 million, on Standalone basis, as compared to loss of Rs 725 million in the previous year.

On a consolidated basis, during the year, your Company together with its subsidiaries achieved a Sales and Operating Revenue of Rs. 2634 million, down from Rs. 3479 million of the previous year.

As noted above, the Company is also focused on improving its balance sheet position. Active discussions with secured and unsecured lenders for restructuring / closure of debts have yielded debt closure agreements with most of its institutional vendors as well as FCCB holders. We also continue to pursue various approaches to sustained operational profitability and reduced debt exposure.

Opportunities & Threats

Moving from the complexity, bulk and market/geographic breadths of its prior Enterprise Software, Business Intelligence & Engineering Technology structure and orientation, your Management sees opportunities in evolving to a nimble, Assets-Lite and IP-rich business targeting its core strengths in the Technology/Industry education and training arenas..

Although the organization witnessed financial downside, in the year under review, it has managed to maintain organization sustainability and operational efficiencies. The Company is today prepared to leverage its expertise, experience and domain knowledge in the fields of Vocational Training suited to the needs of emerging Technology, Digital Domains and Industry demands. The Company's balance sheet has been strongly cleared of secured and unsecured debts. As indicated above, with capital infusion from an angel investor, the Company has already secured favorable settlement options with a large set of secured lenders and is confident of closing up one-time settlements with the last of such debtors. Although there remains a risk of detrimental developments in pending litigation brought by CSIL's FCCB holders and ongoing regulatory actions being defended actively by the Company, the Management is actively pursuing a mutually-satisfactorily resolution to these cases and remains hopeful of emerging in 2019 as a debt-free, litigation-free lean and new business which will deliver value once again for its valuable and trusting stakeholders.



Risk Management

The Company has developed and adopted a Risk Management Policy. This policy identifies all perceived risks which might impact the operations and on a more serious level also threaten the existence of the Company. The Company has laid down well-structured procedures for monitoring the risk management plan and implementing the risk mitigation measures. The strategic risks are taken into consideration in the annual planning process and these risks together with their mitigation plan are subject to review by the management on a regular basis. The business processes risks and the related controls would be subjected to internal audit and reviewed on a regular basis.

Human Resources

The Company continues to focus on business expansion while limiting the resources deployed to achieve such expansion. The mix of such members consists of Technology Experts, Sales and Marketing personnel manning the global offices.

Internal Control Systems

Having grown to a sizeable operation, the management has focused on augmenting its internal control systems and processes to support further growth opportunities. To this effect, the Company is certified under ISO 9001 standards in FY2002 and later the company was assessed at SEICMM Level 5 during FY 2005. The Company has also obtained certification under ISO 27001 Information Security Management System in FY 2006 and was also awarded SEI-CMMi Level 5 assessment for its processes.

Safe Harbor

Certain statements in this release concerning our growth prospects are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, including government actions; local political or economic developments; technological risks; risks inherent in the Company's growth strategy; dependence on certain customers and business partners; dependence on availability of technical consultants and other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. The Company undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.