

Annexure - II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Industry Structure and Developments

India's textile sector has the second-largest employment, employing more than 30 million workers. It has the potential to double this employment in the next seven years as per the vision document (for 2024-25). It is a sector, which provides livelihoods to millions of households. It is also a storehouse of traditional skills, heritage, and a carrier of heritage and culture. The various policy documents of the Government have also highlighted the importance of textile sector with regard to generating formal and productive jobs, having potential for broader social transformation and generating exports and growth. This is also a sector, which is undergoing a huge churn due to automation, digital printing and the re-lentless rise of e-commerce. All these developments may completely change the face of this industry. The demand for the industry varies across the countries depending upon various factors like population, demographics, living style, economic status and its climatic conditions. In India, mostly the textile manufacturing is handled in decentralized sectors. Most of textile centers are situated around in rural and urban areas. However, manufacturing also carried in organized sector. But, the volume of production in organized sector is much lesser than that of the production in decentralized sector. Until last decade, only 10-15% of textile production was produced in organized sector. Most of the organized sector units are engaged in catering to market of export and high-quality segment of domestic market.

B. Opportunities and Threats and Future outlook

Global Economic Conditions

According to IMF report on world GDP Growth 2019 , the GDP Growth of the world is expected to grow at 3.6% . The GDP growth of India is expected to grow at 7.7% and that of US at 1.7%. During the last six months, the world has witnessed a new phenomenon of US China trade war which has seriously threat-ened the world GDP growth rate. The fate of its positive settlement is hanging on fire till now although efforts by leaders of both the countries are still continuing to find an amicable solution. Another big development has been the imposition of sanctions on Iran by US in this year but thanks to the adequate supplies of crude oil by US and determination of US president not to let the oil prices overshoot beyond reasonable levels, the oil prices have been restricted in the range of 55 to 70 USD. This has put a cap on the escalation of crude related costs on the industrial products.

Indian Economic scenario

The Indian economy has been witnessing growth of 7% plus and has emerged as the fastest growing major economy in the world. India is emerging as one of the best performing economies of the world. But country is facing temporary slowdown in the first half of 2019 caused by challenging world scenario, NBFC Crisis and auto slowdown. In the RBI Credit policy of August 2019, the GDP growth for FY 2019-20 has been slashed to 6.9% . Looking forward, the silver lining lies in the fact that the growth rate has been slashed for the first half of the year but GDP in the second half has been projected at 7.3 to 7.5% . The rate of interest is on a downward slope and inflation is under control. The Government has adopted favorable policies for textile industry in the country which is providing huge employment apart from generating huge foreign exchange earnings. The pledge of our Prime Minister to make India a 5 trillion economy in next five years coupled with the possible stimulus and the low rates of interest argue well for the positive future of the country.

Foreign Exchange

India's currency has faced considerable volatility in the last two years vis-a-vis the US dollar. The net result is rupee depreciation over this period and looks to stabilize in the range of 70 to 72 in 2019. This is a positive for exporting companies like us depreciating rupee adds to the bottom lines.

GST and Export Incentives

In 2017, GST was introduced in the country which was a major change. Although in the initial months there were bottlenecks and disruptions but now the situation has normalized. The government has been very helpful in introducing liberal incentives in form of MEIS, ROSCLT, duty drawbacks and GST refund. On the net basis, the management feels that the company is in an advantageous position post introduction of GST as far export incentives are concerned.

.Risks and Concern

The current global scenario marked by slowdown threat is major concern for the industry. So, continuance of favorable textile policies by the Government of India to counter the global competition is utmost desirable. volatility of exchange rate coupled with competitive currency war is another concern although the Indian rupee has traditionally been depreciating over the years which is a rather positive for textile export industry.

Very recently we have witnessed an era of trade wars initiated by US administration. Although, it is primarily targeted towards China, there is always a risk of India also being one of the targets.

Lastly, the vulnerability of the Indian economy to the risk of potential outflows and rise of crude remain a big macro risk.

Internal Control Systems and their Adequacy

The Company maintains adequate systems of internal controls to ensure that all assets are safeguarded against loss from unauthorized use or disposition. The Company's policies, procedures and guidelines are in place to ensure that all the transactions are authorized, recorded and reported correctly. The Company has an internal audit system commensurate to its size and the nature of its business. The Company also has adequate procedures for internal financial controls to detect and prevent frauds and to protect the Company's resources. The financial statements are prepared in accordance with the accounting standards issued by Institute of Chartered Accountants of India.

Human Resources

Your Company continues to be focused towards employee empowerment. We acknowledge the commitment and dedication of our team. With expanding operations, we continue to build our team, with on-board training across various processes.

Accounting Treatment

The financial statements have been prepared to comply with the Ind-AS including accounting standard notified under the provisions of the Companies Act, 2013.

Disclaimer

Readers are cautioned that this discussion and analysis contains certain forward looking statements. All these statements always have certain risks and uncertainties. Actual results could differ materially from those expressed or implied and the Company is not bound to publicly update or revise forwarding looking statements. Therefore, readers are cautioned not to place undue reliance on these forwarding looking statement.