

**ANNEXURE-H**  
**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

1) **Industry Structure and Developments:**

Axtel industries Ltd. is engaged in the manufacture of custom designed food processing plants and machineries as per the requirement/specifications of its various clients. It is a leading supplier of process engineering equipment and turnkey systems to the food and pharmaceutical industries meeting the standards of quality, design and specifications of its clients.

The company has been manufacturing the various categories of Process Plants/ Equipments.

The growth of the company is mainly linked to the growth of the food processing industry. Given below is the profile and outlook of the same.

• **Indian Food and Food Processing Industry**

The Indian food and drinks market has observed strong growth over the past few years. Economic liberalization and rising income of middle class population have had a positive impact on consumer spending and consumption in both rural and urban areas. Indian consumer now spends a significant proportion of disposable income on food and other essential commodities. Several other factors like demographic and macro economic conditions have also given fillip to expenditure on food in the country.

Packaged food and ready-to-eat food have also seen strong demand as life in metros becomes more hectic and busy. People look for healthy and ready to eat food to avoid time wastage on preparation.

• **World Food and Food Processing Industry**

Key factors driving market growth include development of food products, new processes, increased consumer awareness, and government regulations regarding health and hygiene. In addition, economic growth in developing nations is expected to propel the market demand for food processing machinery & equipment.

The market for food processing machinery is linked to the structure, behaviour and trends in the food processing industry. The food processing market is undergoing major changes due to the rapid technological advancements and tightening of environmental and hygienic regulations. Manufacturers of food and beverage processing, sterilization, conservation and packaging machineries, especially those dealing with meat and dairy products, are focusing on addressing these changes in order to exploit new opportunities. Reliability and efficiency of the equipment, extensive distribution facilities, and effective service are key factors for success in this highly competitive industry.

• **Developments:**

- Create new markets quickly through products based on technology
- Enhance growth by reaching new customers, deepening the customer experience and allowing them to dynamically manage pricing
- Increase profitability by altering operating cost structures through greater process automation
- Adopt business models that increase asset efficiency and long-term competitiveness

2) **Opportunities and Threats:**

- **Opportunities:** New elements involving new ways with understanding clients and exploring new markets and business models shall open new opportunities for us to build strategic relationship with clients. Our reliability and efficiency of the equipment and effective service are key factors for success in this highly competitive industry.
- **Threats:** The Company has developed and implemented a risk management framework that includes identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company and by adopting various factors such as risk identification, impact assessment, risk evaluation, risk reporting, risk disclosures, risk mitigation and reporting.

3) **Segment-wise or product-wise performance:**

The Company has only one segment of manufacturing food processing instruments / equipments.

4) **Outlook:**

- The outlook for business is positive as the company continue to remain focused on risk management and mitigation. During financial year 2017-18 total turnover during the year 2017-18 was Rs.8150.23 lakhs increased by Rs. 539.27 lakhs (increase of 7.09%) compare to turnover during previous year 2016-17 of Rs.7610.97 lakhs and there is profit of Rs.593.24 lakhs (after tax) during the year 2017-18 against profit of Rs. 683.85 lakhs (after tax) during the year 2016-17.

**5) Risks and concerns:**

- Commodity Price Risk: Risk of price fluctuation on basic raw materials like steel, components, power as well as finished goods used in the process of manufacturing.
- Uncertain global economic environment – slow growth in global economy: Impact on demand and realization of exports of food processing plant and machinery.
- Interest Rate Risk: Any increase in interest rate can affect the finance cost
- Foreign Exchange Risk: Any volatility in the currency market can impact the overall profitability
- Human Resources Risk: Your Company's ability to deliver value is dependent on its ability to attract, retain and nurture talent. Attrition and non-availability of the required talent resource can affect the overall performance of the Company
- Competition Risk: Every company is always exposed to competition risk from European Countries. The increase in competition can create pressure on margins, market share etc
- Compliance Risk: Increasing regulatory Requirements: Any default can attract penal provisions
- Industrial Safety, Employee Health and Safety Risk: The engineering industry is exposed to accidents and injury risk due to human negligence.

**6) Internal Control Systems:**

The Company has strengthened its internal control and audit aspects by appointing outside agency for internal audit of certain important aspects of operations, apart from usual transactional verifications. There are adequate checks and controls to ensure compliance of various statutes.

**7) Financial performance:**

During financial year 2017-18 total turnover during the year 2017-18 was Rs.8150.23 lakhs increased by Rs. 539.27 lakhs (increase of 7.09%) compare to turnover during previous year 2016-17 of Rs.7610.97 lakhs and there is profit of Rs.593.24 lakhs (after tax) during the year 2017-18 against profit of Rs. 683.85 lakhs (after tax) during the year 2016-17.

**8) Human resource:**

The Company considers its employees as its valuable assets. The Company focuses on building an organisation through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align HR policies of the Company with the growth projections of the company.

During the year under review, the Company continued to have cordial and harmonious relations with its employees.

By Order of the Board of Directors

Date: 22/05/2018  
Place: Village: Nurpura

Ajay Naishad Desai  
Executive Director  
DIN: 00452821

Ajay Nalin Parikh  
Executive Director  
DIN: 00453711