

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ANNEXURE 1

INDUSTRY STRUCTURE AND DEVELOPMENT

We are global manufacturers and suppliers of amines, amine derivatives and other specialty chemicals. We have three manufacturing sites, two in Maharashtra, i.e. at Patalganga and at Kurkumbh and one in Gujarat, i.e. at Dahej. We have an R&D Centre located at Pune, Maharashtra, equipped with advanced equipment and analytical instruments. We also have a Solar Plant at Bhoom, Dist. Osmanabad, Maharashtra State. We have an excellent team of technical and commercial professionals with expertise in chemical manufacturing and marketing.

Our products have application in important industries like pharmaceuticals, agro-chemicals, water treatment chemicals, rubber chemicals, etc. We cater to both domestic and international market. We have competition both from local and international producers.

For more details, please refer to our website www.alkylamines.com.

OPPORTUNITIES AND THREATS

The Chemical Industry is critical for the economic development of our country providing products and enabling technical solutions in virtually all sectors of the economy. Our country is moving up the ranks as a global economic power and a business magnet for investment. The demand for our products is steadily increasing both in India and abroad. Key drivers for success in the chemical sector include proximity to strong growth markets, greater ease in doing business and the continued development of petroleum, chemicals and petrochemical investment. Backed by one of the strongest GDP growth rates in the world, the future looks bright both for the Indian chemical industry as well as our Company.

Your Company is ready to take the challenges of increased demand by continuously by adding capacities, adding new products and investing in upgradation of its manufacturing capacities. During this year, we have started supplying Ethanol to Refineries under the Ethanol Blended Programme of Government of India. The in-house R&D Department has been developing quality products and is also striving for achieving cost efficiencies.

The industries in which our products have application, like pharmaceuticals, agrochemicals, rubber chemicals etc. are growing at a reasonable pace. We have a fair chance of improving our position as a reliable supplier of good quality chemicals to these industries. Our Core Competence in chemical handling and manufacturing supported by an able technical team, should provide a lot of opportunities and scope to the company to improve its performance. We enjoy leadership position in some of the products in domestic market, driven by strong in-house technology, diversified product portfolio and customer base.

The commodity nature of some of our products makes them susceptible to fluctuations in raw material prices and exchange rates. The company is vulnerable to alcohol price volatility. Domestic alcohol prices are dependent on the cyclical nature of the sugar industry and Government policy for its use in oil sector. Other petroleum based raw materials are subject to international gas/crude oil price fluctuation. The recent US embargo on Iran, is likely to have an impact on commodity prices.

Being a global player, we are also exposed to competition not only from domestic players but also large international players. Cheap imports have posed problems, which are being addressed by consistency in quality of the products and improving production efficiencies and also by initiating anti-dumping investigations.

OUTLOOK

For the year 2019-20, our focus will continue on sustainable growth by taking measures for:

- a) increasing our market share of existing products; and
- b) creating new business with new products, both in domestic and export market

Increased competition from global and domestic players, are putting pressure on sales prices. Increase in prices of certain raw materials also put pressure on contribution. However, with the global growth of chemicals focused more on Asia, it is expected that there will be further growth in chemical industry.

During the year 2019-20, we expect our investments in various projects to add to both our topline and bottomline.

We will continue with our efforts for improving our bottom-line by expanding our product-range, while re-looking at business strategies and models, wherever necessary. With our continuous efforts for improving efficiencies and margins, barring, unforeseen circumstances, we expect to achieve better results for the year 2019-20.

RISKS AND CONCERNS

The economic and business environment is fast evolving. The global market is complex and demands a very efficient and complex supply chain configuration. The Company has a risk management policy, which from time to time, is reviewed by the Audit Committee of Directors as well as by the Board of Directors. The Policy is reviewed quarterly by assessing the threats and opportunities that will impact the objectives set for the Company as a whole. The Policy is designed to provide the categorization of risk into threat and its cause, impact, treatment and control measures. As part of the Risk Management policy, the relevant parameters for all manufacturing sites are analyzed to minimize risk associated with protection of environment, safety of operations and health of people at work

and monitored regularly with reference to statutory regulations and guidelines defined by the Company. The Company fulfills its legal requirements concerning emission, waste water and waste disposal. Improving work place safety continued to be top priority at all manufacturing sites.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company's internal control procedures which includes internal financial controls, ensure compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations. We have set up a statutory compliance management system to ensure compliance with various applicable laws.

We have in place internal control systems in all spheres of activities commensurate with the size of the Company. The system is helping the Managers to advantageously assimilate information and make more knowledge-based and efficiency-driven decisions. The internal control is supplemented by effective internal audit being carried out by an external firm of chartered accountants. The Internal Auditor's team carries out extensive audits throughout the year across all locations and across all functional area.

The Audit Committee of Directors regularly reviews the findings of the Internal Auditors and effective steps to implement the suggestions/observations of the Auditors are taken and monitored regularly.

Your Company also has laid down procedures and authority levels with suitable checks and balances encompassing the entire operations of the Company.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE AND SEGMENT-WISE PERFORMANCE AND KEY FINANCIAL RATIOS

Total Income amounted to Rs. 85,035 Lakhs compared to Rs. 62,798 Lakhs of the previous year. The profit before tax amounted to Rs. 13,019 Lakhs compared to Rs. 9,577 Lakhs reported last year.

The Company operated in one segment area i.e. Specialty Chemicals. During the year, our gross domestic sales amounted to Rs. 78,266 Lakhs compared to Rs. 55,603 Lakhs of the previous year. Exports increased from Rs. 10,909 Lakhs (FOB) of the previous year to Rs. 14,737 Lakhs (FOB) for the year 2018-19. The details of key financial ratios i.e., debtors' turnover, inventory turnover, interest coverage, current ratio, debt-equity ratio, operating profit margin, net profit margin and return on Net Worth are given in financial highlights and Note 42.1 to the Audited Accounts. Interest Coverage Ratio reduced from 12.75 times in 2017-18 to 9.82 times in F.Y. 2018-19. This was mainly due to capitalization of interest in respect of Dahej plant in the F.Y. 2017-18.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company believes that its employees are the key to driving sustainable performance and developing competitive advantage. The HR policies and procedures of your Company are geared towards nurturing and development of Human Capital. The Company had 510 employees as on March 31, 2019. Memorandum of Settlement was entered recently with employees at Patalganga plant. Your Company has transparent processes for rewarding performance and retaining talent.

We had conducted a survey among senior management staff to ascertain "What's working well in the Company" and "areas of improvement". We have benchmarked our Company with some other organisations and outlined the challenges which the Company is facing along with proposed road maps. The Senior Management people had deliberations and drawn an execution plan based on priority suggested by the Group to work towards a Future Ready Organisation.

Skill Gap Analysis and other systems are also in place to identify the training interventions required. Employee relations at all locations continued to remain cordial. Your Directors wish to acknowledge the sincere and dedicated efforts of the employees of the company and would like to thank them for the same.

WHISTLE BLOWER POLICY

The Company has a whistle-blower policy to deal with instances of fraud and mismanagement, if any.

The details of the policy are explained in the Corporate Governance Report and also posted on the website of the Company.

For and on behalf of the Board of Directors

YOGESH M. KOTHARI
Chairman & Managing Director
(DIN: 00010015)

Place : Mumbai

Dated : May 21, 2019