MANAGEMENT DISCUSSION AND ANALYSIS

TRADING DIVISION

For the Financial Year under review, i.e. April, 2019 to March, 2020, the Company has achieved a Textile Trading turnover of Rs. 1655.69 lakhs in comparison with Rs. 1258.19 lakhs for the previous Financial Year. Thus achieving an increase of 32%.

During the last three years, the Company is achieving turnover growth.

The main season for our activities is during the first half of the year ie. March/April to September/October months. Unfortunately, this time we have lost our prime season of sales from March, 2020, onwards for almost 4 months due to the COVID-19 pandemic situation all over the world. Although, we are hopeful of regaining lost ground in coming months, it has adversely affected the market conditions/sentiments of the customers.

PROPERTY DIVISION & OUTLOOK

The Standard Mills Company Limited was incorporated in India in the year 1892 under the Indian Companies Act,1882. In line with the diverse nature of its business, it had changed its name from The Standard Mills Company Limited to Standard Industries Limited, ('the Company') in October 1989. The Company also has a Property Division which comprises of assets which are in excess of business needs, which the Company would liquidate based on market conditions.

Your Company enjoys the benefit of leasehold rights from MIDC in approximately 62.25 acres comprising of Plot No. IV situated at Trans-Thane Creek Industrial Area in the Villages of Ghansoli & Savali, Dist. Thane, with clear title.

Pre-Covid

In the 3rd quarter of calendar year 2019, the Country's economic growth declined to less than 5%. The economy bottomed out. It was expected that in the 4th quarter of calendar year 2019, i.e. October, 2019 to December, 2019, the economy would pick up to 5%. The economy has remained stagnant.

The current slowdown is due to

a. Consumer demand slump – people were saving less before demonetisation and the household savings rate has dropped further after demonetisation.

b. Real Estate slowdown – of all the things that hurt India's GDP, a slowdown in real estate and construction sector have had the worst impact. The real estate and construction sector which account for 40% of the overall jobs has seen the worst last four years with business being slower with each passing year.

c. Lesser jobs – a drop in number of employment and wage levels have hastened the slowdown and resulted in slump in consumer demand.

d. Lower investments – investments are key to more business activities, resulting in more jobs and eventually higher spending. Investment levels have bottomed out in the last 2 years as foreign institutional investors (FIIs) marked an exit from the Indian Stock Markets.

e. Economic downturn due to COVID-19 outbreak. - COVID 19 effect picked up its spread by March, 2020 and business and activities were severely impacted in India. While the administrative lockdown is necessary to avert a public health crisis it will come at a notable economic cost as it has disrupted activity in most sectors.

We expect the economic recovery to be gradual because a certain amount of social distancing will continue over the medium term to avoid another wave of infection. Businesses that depend on gathering of people, such as real estate/construction sites, may see ongoing restrictions and weaker activity.

INDUSTRY OVERVIEW

The overall economy and especially the real estate sector had been in the downward curve in the whole of the financial year 2019-20 because of liquidity crises due to overall economic slowdown.

The ongoing COVID-19 outbreak and its impact on economy had pushed sentiment in real estate to its all time low level in the quarter ended March 2020 and the first quarter of the Financial Year 2020-21. Both residential and commercial real estate sectors are expected to be hit for a long time.

STRENGTHS

During the year under review, turnover of Textile Trading has increased compared to last year.

During the last three years, the Company is achieving turnover growth.

The Property Division of the Company has its presence in Navi Mumbai area since 5 decades which is fast developing.

WEAKNESS

The textile trading faces the threat of constant inflow of cheaper alternatives from unorganized sector.

Even before the onset of COVID-19, the global economy was confronting turbulence on account of disruption in trade flows. The situation has been aggravated by the demand, supply and liquidity shocks that COVID-19 has inflicted. Once the Pandemic is in control the shape and speed of the recovery in India will be the key factor determining the nature and traction of the Indian economic recovery.

Specific cyclical challenges even before COVID-19 pandemic:

- Government reforms have bolstered the formal sector over the past few years; however income levels in the informal areas have suffered as a result.

- Credit growth among nonbanking financial companies have steadily declined due to a freeze in the wholesale money market during most of 2019. This has affected overall credit growth, particularly in the informal sector.

The ongoing lockdown in India will amplify these existing cyclical challenges. Unless the economy is supported by adequate stimulus measures from the government, the sudden stop in economic activity will affect income and savings.

OPPORTUNITIES & CHALLENGES

Our textiles brand sees enormous opportunities in product and design innovations to address the changing preferences of customers. Key threats for the brand continue to be the constant inflow of cheaper alternatives from the unorganized sector as well as inflow from neighbouring countries.

Based on the market conditions the Company is awaiting a good opportunity to liquidate the Company's leasehold rights at Navi Mumbai, District Thane.

SEGMENT-WISE PERFORMANCE

Segment-wise performance together with discussion on financial performance with reference to the operational performance has been dealt with in the Directors' Report which should be treated as forming part of the Management Discussion and Analysis.

INTERNAL CONTROL SYSTEMS & ADEQUACIES

The Company has proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from unauthorized use on disposition and transactions are authorized, recorded and reported correctly.

Internal control systems are supplemented by Internal Audit Reviews, coupled with guidelines and procedures updated from time to time by the Management.

Internal control systems are established to ensure that the financial and other records are reliable for preparing financial statements.

Internal Audit System is engaged in evaluation of internal control systems. Internal audit findings and recommendations are reviewed by the Management and Audit Committee of the Board of Directors.

HUMAN RESOURCES

As on 31st March, 2020, the employees' strength (on permanent roll) of the Company was 12.

FINANCIAL STATEMENT ANALYSIS

In accordance with SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2015, the Company is required to give details of significant changes (change of 25% or more as compared to the immediately previous financial year) in key sector-specific financial ratios.

The Company has identified the following ratios as key financial ratios:

Particulars	Note no.	Year ended March 31, 2020	Year ended March 31, 2019
Debtors Turnover (in days)	1	290 days	68 days
Inventory Turnover (in days)	2	5 days	7 days
Interest Coverage Ratio	3	(1.88)	(0.30)
Debt Equity Ratio	4	10.58	2.79
Net Profit Margin (%)	5	-244.18%	-188.41%

Ratios where there has been a significant change from year ended March 31, 2019 to year ended March 31, 2020

1. Debtors Turnover (in days): Debtors turnover is computed as net credit sales divided by average account receivable. The movement in this ratio as compared to previous year is on account of increase in credit sales and large amount of average debtors balance.
2. Inventory Turnover (in days): Inventory turnover is computed as cost of goods sold divided by average inventory. The movement in this ratio is on account of increase in cost of goods sold which is directly related to the increase in the Company's sales and decrease in average inventory balance during the current year as compared to the previous year.
3. Interest Coverage Ratio: Interest coverage ratio is computed as Earnings before interest and Tax (EBIT) divided by Interest expense. The movement in this ratio is on account of losses in the Company on account of fair value accounting under IND AS for various investments.
4. Debt Equity Ratio: Debt equity ratio is computed as Long-term Debts divided by shareholders' fund. The movement in this ratio is on account of movement in shareholder's fund due to losses in the Company on account of fair value accounting under IND AS for various investments.
5. Net Profit Margin(%): Net profit margin is computed as net profit divided by revenue. The movement in ratio is on account of increase in revenue during the current year as compared to the previous year. Additionally the Company has incurred a net loss during the current year on account of fair value losses under IND AS for various investments as compared to net profit during the previous year.

THE DETAILS OF RETURN ON NET WORTH ARE GIVEN BELOW:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Return on Net Worth (%)	-132.04%	-35.76%

Return on net worth is computed as net profit by average net worth. Net loss has increased from Rs. 2410.14 lakhs to Rs. 4094.13 lakhs, which resulted into consequential further reduction in Return on Net Worth.