

MANAGEMENT DISCUSSION AND ANALYSIS

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes economic developments within India and the countries in which the Company conducts business and other incidental factors. The data presented herein is based on JBF's internal Research, publications in public domain and conducted studies.

GLOBAL ECONOMIC OVERVIEW

The calendar year 2019 started off with rising tensions between the world's two largest economies – US and China. US and China together account for 40% of the global GDP and the trade disputes between them had an adverse effect on the global economy and sentiment overall. This impact was not only seen in the commodities and financial markets (equities, bonds, currencies), but also impacted the output and profitability of firms leading to deterred investment decisions of businesses. However, as the year progressed, market sentiments were boosted by tentative signs on intermittent favourable news on US-China trade negotiations.

Brexit was the other major event that finally took place on January 2020, after the public referendum in 2016 and years of negotiations. The impact of Brexit is expected to hurt the UK economy primarily in 2020 by having the weakest export growth since 2009, Business investments to contract by 0.7%, and Household spending growth predicted to be at its slowest since 2011, due to historically low unemployment.

If the pain felt across global economies was not enough in 2019, the year ended off on a worse footing with the Corona Virus being first detected in December and quickly spreading across the world's second-largest economy from the capital of Hubei province before infecting more than 110,000 people in at least 110 countries in less than three months. According to the WHO, the death toll reached more than 4,000 by March 2020. From an economic perspective, the key issue was not just the number of cases of this virus, but the level of disruption to economies. In a March report, the Organisation for Economic Co-operation and Development, or OECD, announced it had downgraded its 2020 predictions for almost all countries, the UN Conference on Trade and Development went even further and predicted that global GDP could take a \$2 trillion hit. The global economic activity from the Purchasing Manager Index for the manufacturing and the services sector showed that Both manufacturing and services activity plunged in February 2020. The composite index was at 46.1 indicating that the global economy was potentially in a recession for the month.

As a silver lining, Governments of all countries have taken strong and bold measures to brace their economies from the expected impact of the Corona Virus. USA started off by rate cuts and infusing more than \$1.5 Trillion into the financial system to calm the market turmoil after Wall Street suffered its worst day since the 1987 market crash.

INDIAN ECONOMIC OVERVIEW

The Indian economy started this financial year on a dull note due to the ongoing liquidity crisis. In order to achieve the governments vision of making India a USD 5 trillion economy by 2025, the finance ministry slashed domestic corporate tax rates to 25.17% in the mid-year to spur the investments in the economy. As a result, the domestic investments contributed intermittently to the India growth story, but this proved to be a bit too little, too late.

The Consumer Price Index (CPI) showed retail inflation rising to 7.59% in January 2020 and IIP growth stood at a mere 2% YoY in January 2020, which was mainly driven by intermediate goods output whereas, Capital goods, infrastructure and construction goods output declined.

The liquidity crunch stressed NBFC funding; interest rates hiked up, which resulted in a degrowth of household consumption. The Indian auto sector which has a valuable contribution to the economy went through a difficult phase in the last one year primarily due to government norms pushing to shift to BS-VI models.

The Current Account Deficit narrowed primarily on account of lower non-oil, non-gold imports and robust services exports supported by software, travel and financial services. The balance of payments surplus stood at US\$21.6bn which was supported by FPI and FDI flows.

Although, according to the Indian Budget 2020 the real GDP growth was estimated at 5.0% in the financial year 2019-20, growing to 5.6% in financial year 2020-21, with recent development with regards to Covid-19 cases in India, these growth estimates are expected to take a major hit. The financial year 2021, regardless to say, is going to be a challenging one for the world and India.

GLOBAL TEXTILE INDUSTRY

The Global textile industry is estimated to grow at CAGR of approximately 4.5% until the year 2020. The global market was estimated at more than 900 billion USD in 2018. Based on growth projections, the global market may reach around 1050 Million USD by 2022.

The major producers worldwide are China, European Union, the United States and India. China is the leading textile manufacturing country with a world market share of nearly 25% valued at over 200 billion USD. After the European Union, India is the third largest textile manufacturing industry. India's share in world market by way of production is valued at USD 140 Billion.

China's textile exports went up by roughly 3% in the year 2018. China is the world's leading producer and exporter of both raw textiles and garments. India is the third-largest textile manufacturing industry and holds an export value of more than USD 40 Billion.

INDIAN TEXTILE INDUSTRY

India is among the world's largest producers of Textiles and Apparel. The domestic textiles and apparel industry contribute 2% to India's GDP. The textiles and apparel industry in India is the second-largest employer in the country providing direct and indirect employment to 100 million people.

Textile & garments industry in India is expected to reach over \$220 bn by 2021 from \$140 bn in 2018. About 65% of this production comprises of apparel items, 16-17% is by Technical Textiles and Home furnishings around 5%.

The government continues to recognize the vast potential of this industry due to reasons that it provides a high level of employment, adds a substantial number to GDP and is a valuable contributor to exports. It is expected that Industry will continue to be provided with incentives for growth, and stimulus in form of fiscal incentives and other infrastructural proposals will continue to emerge for further growth of the industry.

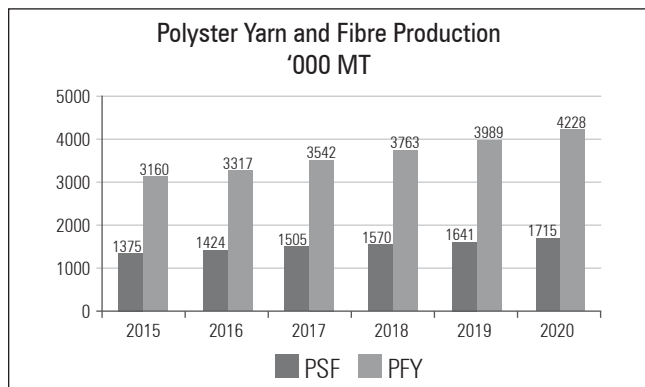
The capability of the industry has been recognized as there are ample facilities for production in entire value chain from fiber, yarn, fabric to apparel. Located in the widely distributed unorganized sector, industry has production in range from of traditional handloom, handicrafts and silk products. The other significant advantages which this industry is having relate to abundance of raw material, availability of skilled manpower, large and growing domestic market, rising per capita income, higher disposable incomes and preferences for brands and increased focus on technical textiles.

As per the government sources, India has also become the second-largest manufacturer of PPE in the world. More than 600 companies in India are certified to produce PPEs today, whose global market worth is expected to be over \$92.5 bn by 2025, up from \$52.7 bn in 2019.

POLYESTER INDUSTRY

Polyester Yarn Industry

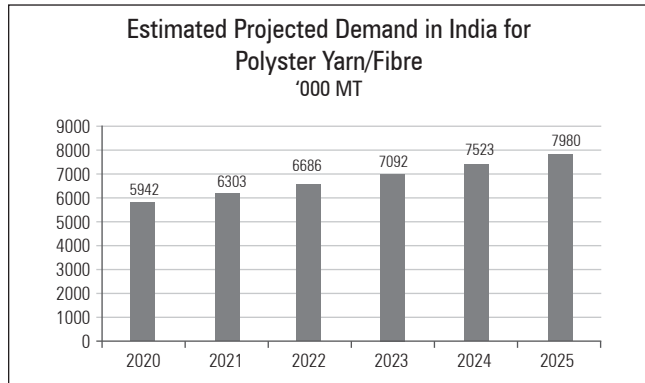
Polyester Yarn is one of the preferred yarns within the Textile Industry, largely due to the fact that it has superior wash and wear characteristic. It is produced in form of multi-filament or monofilament yarn and staple fibres, virtually suiting all textile requirements. The fibre properties can be modified to meet specific requirements and yarns are available in bright, semi dull and dull lustre Varieties



Source: JBF Internal Research , ICIS data

The production level of Polyester yarn and fibres stands around 6 Mn Tonnes per annum, and CAGR is estimated at over 6% per annum

The wide spread use of polyester has been enhanced by its "ease of care" properties and is generally considered longer lasting than competing fibres. Polyester Yarn can also easily be textured to be mainly used for apparel, such as suiting, shirting, children's garments and ladies' dress materials.



JBF INTERNAL RESEARCH

A definite trend can be observed of higher share of yarn and fibre in shirting and suiting fabrics, especially as blend with cotton. Use of polyester & nylon fibre is very high in the products such as saree, corporate uniforms, lingerie products and this growth will continue, especially for warp and circular knit products. Polyester based fabric of higher GSM is used in garment construction.

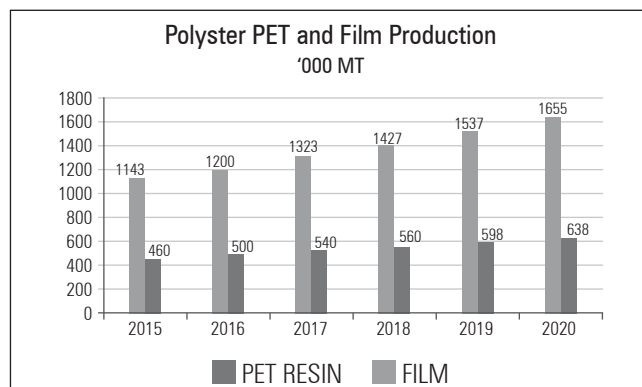
The domestic market is mainly catered by the unorganized sector, which normally has low volume or small-scale manufacturing capacity. Export markets are majorly catered by the organized sector, which has large integrated players though the level of integration differs among the companies. Some medium to large capacity players, which are present within the unorganized industry, supply to export markets, either through an export house, or through traders.

The growing Textile market in India and world over augurs well for the company. The company is poised to increase larger volumes to consumers both in India and by way of Exports. Company seeks to tap higher potential by way of participating in manufacturers of technical textiles and PPEs.

Company has the intrinsic strength of producing a wide range of yarns to cater to diverse requirement of the Industry. Company has also shown, in the past, its capability in quick introductions of specialty yarns to cater to the Industry's needs.

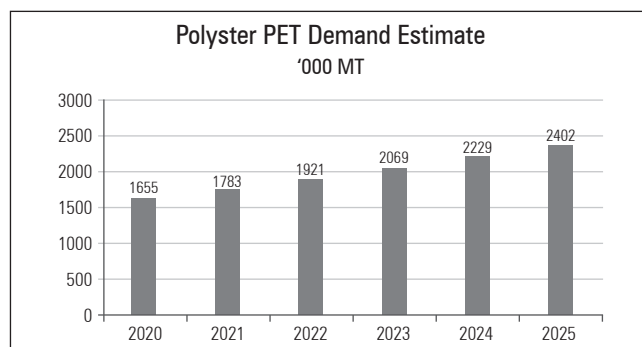
POLYESTER CHIPS – PET INDUSTRY

PET Chips are the base employed generally in the packaging industry and depending on the processing, PET may exist both as an amorphous (transparent) commonly known as Bright or Super Bright Chips and as a semi-crystalline material commonly known as PET Semi-Dull Chips.



Source: JBF Internal Research

PET Chips are used for production in Packaging products such as Bottles, Containers, etc. and also used to make PET Film.



Source: JBF Internal Research

The important Demand Drivers in India are a large population, urbanization and change in buying habits, growth in online and retails sales, increasing exports from India and increasing investments

Increasing demand for PET containers particularly from food, water packaging and beverage sector, and growing demand for frozen & processed food are major factors that drive the polyethylene terephthalate market. PET act as an excellent barrier to oxygen, water and carbon dioxide as they preserve freshness and hygiene of contents while making the packaging durable.

The growing demand for PET is yet another arena of opportunities for the company. The company has been producing specialty range of PET Chips and considers this aspect as its competitive edge in the Industry. Substantial exports worldwide have been taken up by the company for supplying to producers of PET packaging products. The company continues to strive to introduce high value special products to cater special need of various consumers.

RAW MATERIALS

PURIFIED TEREPHTHALIC ACID

The global PTA production grew at a CAGR of around 6% reaching 73 Million Metric Tonnes (MMT). Domestic PTA production and demand have grown at a CAGR of around 7%. Utilization rate have averaged around 90 % in 2019, backed by higher demand.

PTA prices are driven by movements in petroleum (crude oil) prices and demand for man-made fibres. India is a net-importer of PTA due to limited capacities in India for PTA production. This has increased import dependence for PTA by Polyester manufacturers. The Indian government had imposed Anti-Dumping Duty (ADD) in July 2016 and July 2019 Depending on the country of origin, the ADD varied from USD 23.61 to USD 168.76 per MT. Despite the ADD, imports volumes remained significant since domestic manufacturers sold PTA at import price parity, thus enjoying a higher margin. As of 2020, the ADD has been removed by the Indian Government.

Monoethethylene Glycol (MEG):

The MEG capacity in India stands at around 1.8 Mn Tonnes during the period of FY 19. Production was growing at CAGR of 6% over the last 5 years. The demand for MEG in India is around 2.6 Mn Tonnes is projected to grow at a CAGR of 6.5% during 2019-2030.

The local Industry, in view of the limited production in the country, relies heavily on imports. Major suppliers to India are MEG suppliers from oil rich regions of Middle East. MEG is also used in the manufacturing of coolants and heat transfer agents in the automotive industry. China is by far the largest consumer, with growing Polyester industry in China being the key driver for the increasing demand. China, in view of shortages, is also experimenting with new process for MEG to be produced from syngas feedstocks, thereby eliminating the need for ethylene. The coal-to-chemicals facility will produce synthetic gas from coal gasification, which will then be converted to methanol and then to formaldehyde which is used to produce the MEG. Hope fully, new technologies will supplement requirement for increasing demand for MEG over time to come.

In terms of procurement of Raw Material, the Company has successfully been able to source its requirement from the local sources as well as by way of imports. Long term contracts are entered into with suppliers for regular supplies. All logistics arrangements are efficiently in place for timely access to Raw Material and company is confident of meeting its requirement on regular basis.

CURRENT YEAR'S PERFORMANCE

| HighLights | | Year 2019-20 | Year 2018-19 | % Change |
|--|-------------------|-----------------|-----------------|----------------|
| Production : | | | | |
| Polyester Chips | MT | 348,943 | 282,432 | 23.55 |
| Polyester Filament Yarn (POY) | MT | 171,596 | 169,690 | 1.12 |
| Polyester Fabric from JOB work | MT | -- | 269.89 | (100.00) |
| Polyester Processed Yarn | MT | 76,841 | 74,952 | 2.52 |
| Total Shipments: | | | | |
| Polyester Chips | MT | 175,073 | 130,749 | 33.90 |
| Polyester Filament Yarn (POY) | MT | 94,304 | 95,949 | (1.71) |
| Polyester Fabric | MT | -- | 269.89 | (100.00) |
| Polyester Processed Yarn | MT | 74,657 | 74,394 | 0.35 |
| Total | | 344,034 | 301,362 | 14.16 |
| Turnover | ₹ in Crore | 2,812.90 | 2958.27 | (4.91) |
| Profit before Interest, Depreciation and Tax | ₹ in Crore | 76.74 | 99.04 | (22.52) |
| Finance Costs | ₹ in Crore | 248.51 | 251.61 | (1.23) |
| Depreciation | ₹ in Crore | 94.48 | 99.46 | (5.01) |
| Exceptional Items | ₹ in Crore | 67.41 | 697.92 | (90.34) |
| Loss Before Tax | ₹ in Crore | (333.66) | (949.95) | (64.88) |
| Current Taxation | ₹ in Crore | -- | -- | -- |
| MAT Credit Entitlement | ₹ in Crore | -- | -- | -- |
| Deferred Tax | ₹ in Crore | (0.16) | (191.86) | (99.92) |
| Net Profit | ₹ in Crore | (333.50) | (758.09) | (56.01) |
| Earning per share (EPS)-Basic & Diluted | ₹ | (40.73) | (92.59) | (56.01) |
| Equity Shares- No. of Shares as on 31st March. | Nos. | 81,874,849 | 81,874,849 | -- |
| No of Shares for Basic & Diluted EPS | Nos. | 81,874,849 | 81,874,849 | -- |

CASH FLOW ANALYSIS

| | 2019-20 | 2018-19 |
|--|---------------|---------------|
| Sources of Cash | | |
| Cash from Operations | 78.51 | 105.41 |
| Income from Investing Activities | 0.43 | -- |
| Proceeds from Short Term Borrowings | 197.19 | -- |
| Decrease in Working Capital | -- | 118.51 |
| Margin Money | 30.99 | -- |
| Tax Refund | 10.09 | -- |
| Decrease in Cash & Cash Equivalent | 2.12 | 5.53 |
| Total | 319.33 | 229.45 |
| Uses of Cash | | |
| Net Capital Expenditure | 2.18 | 4.46 |
| Repayment of Term Borrowings (net of proceeds) | -- | 25.29 |
| Repayment of Short Term Borrowings | -- | 7.01 |
| Increase in Working Capital | 283.29 | -- |
| Lease Payments | 1.63 | -- |
| Finance Cost | 32.23 | 153.27 |
| Tax paid (net) | -- | 0.22 |
| Margin Money | -- | 34.51 |
| Net Loss on Foreign Currency Transactions | -- | 4.68 |
| Total | 319.33 | 229.44 |

SAFETY, HEALTH AND ENVIRONMENT (SHE):

JBF Industries Limited as manufacturer of Polyester Chips, Polyester Yarn and processed yarn from Polyester Chips, is responsible & committed to adequate steps and appropriate measures to ensure safety, health & environment.

The Company works as a team to ensure sustainable growth of business through quality assured production integrated with

— safety, health & environment to ensure value added service to our esteemed customers

— safe, secure & quality of life for the employees and for the community in which we work.

The company is certified for ISO 9001:2015 -Quality Management System, ISO 14001:2015 -Environment Management System & OHSAS 45001:2018 - Occupational Health & Safety Assessment System. Company's objective does not end with the regulatory compliance in the SHE field. Additional activities are undertaken for going beyond and adopting practices that are Safe, Healthy and Environment friendly. The company continuously improves upon and adopts practices which are considered to be the best in this sector specific industry.

The company has a well-established policy & program for SHE & ensures its implementation through regular training, close monitoring, evaluation & audits and up-gradation of various equipments as required.

Following are the main features on Safety, Health and Environment:

SAFETY

- No Fatal Accident occurred in the period FY-2019-20
- Provided a safe and healthy work environment and ensured that personnel are properly trained and have appropriate safety and emergency equipment.
- A periodic review of the safety system is carried out to ensure that the safety practices adopted are uniform & adequate to follow the well laid out policies & procedures.
- For all new contracts, safety briefing is being done before the job is carried out.

- Employees, including the contract workers are provided with necessary health & safety induction program/protocol & provided with appropriate training (including proper use of PPE's, safe working at height, electrical safety etc.).
- Programmes are held to instill a sense of duty/responsibility in every employee towards personal safety, as well as that of others who may be affected by the employee's actions.
- Regular interactions are done with the team engaged in various activities for plant and building maintenance.
- Employees are also trained for handling emergencies through periodic mock drill.
- Quarterly safety audit is done through safety committee members & External Safety Audit is done through approved auditors.
- As a motivational effort, National Safety Day/week, and Fire Service Day are celebrated on a large scale.
- First Aid Awareness Training is provided to employees through Red Cross Society.
- All fire extinguishers are checked and inspected through external agencies.
- Joint Safety Audit and Periodic Safety Inspection are done on regular basis with the involvement of plant executives.
- Safety training to employees is imparted through internal faculty as well as external agencies
- Surveillance and incident control is done through CCTV cameras and fire alarm system.

HEALTH

- All efforts are being done to prevent any occupational disease. So far, no occupational disease observed.
- Pre-employment medical check-up & Periodic Health Check-up for all employees is being carried out regularly.
- Counselling for Health Check-up is being followed by the medical officer at regular interval to keep the track record on occupational health.
- Clean Drinking water facility provided, and quality check done periodically.
- Toilets & urinals are being regularly inspected for its cleanliness.
- All SOP's as per the procedures laid down by MHA, State Government & Local Administration are followed to prevent COVID-19 pandemic spread.

ENVIRONMENT

- Environment conservation & sustainable development are the continuous focus point of the company. Continual and consistent improvement in the critical environmental parameters is an important aspect of the Company's policy objectives.
- All the environment protection & pollution abatement measures are undertaken by the company to ensure that all the relevant environmental standards are strictly complied with.
- Employees are educated to be accountable for environmental stewardship and encouraged to seek innovative ways to improve the environmental aspects of our operations.
- There is continuous effort in reducing the energy and other natural resources consumption.
- Emphasis is on promotion of efficient use of energy and natural resources through cost-effective conservation and energy management programs.
- Reduction and minimization of waste, wherever possible done through reuse & recycling. Disposal of all waste through safe & responsible methods as per standard guidelines.
- Third party Environment monitoring is being conducted quarterly through GPCB/ MOEF recognised External Agencies.
- The company is having efficient water management system which

includes partial recycling of treated effluent.

- World Environment Day Celebration is being conducted on a large scale & tree plantation is been done to celebrate the occasion.
- Reduction of Pollution & optimization of production is done through judicious utilization of resources and process improvement
- Rainwater harvesting concept is implemented to supplement & improve the ground water table.

RISK MANAGEMENT

The company identifies operational, strategic, regulatory and financial risks through analysis, pre-emptive compliance, proactive management & sound business management practices.