

## ANNEXURE III TO DIRECTORS REPORT MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1. ECONOMIC OVERVIEW

Economic growth rate slowed to around 5.0% for the 2012–13 fiscal year compared with 6.2% in the previous fiscal. It is to be noted that India's GDP grew by an astounding 9.3% in 2010–11. Thus, the growth rate has nearly halved in just three years. GDP growth went up marginally to 4.8% during the quarter through March 2013, from about 4.7% in the previous quarter. While, the Prime Minister's Economic Advisory Panel expects the economic growth rate to increase to 6.4 per cent in 2013-14 from 5 per cent during 2012-13, on back of improvement in performance of agriculture and manufacturing sectors.

### 2. INDUSTRY STRUCTURE AND DEVELOPMENT

The rubber industry globally is keen to continue its economic prosperity, as it links several major elements of the economy and covers employment, investment, research and innovation. The future viability of the rubber industry is dependent on how well the industry fulfils the requirement and progresses towards sustainability. In order to achieve sustainable development and eventual sustainability, all players in the industry – from smallholders, estates, processors, manufacturers and government agencies (including regulators) will have to play their role proactively at the individual and at the industrial stage.

India is one of the leading rubber producers in the world. The Rubber Industry is highly labour and energy intensive. The Indian Rubber Industry comprises about 450 / 500 large / medium scale units and nearly 5500 Small and Tiny units.

The rubber industry is one of the key sectors of the Indian economy. India is the fourth largest producer of natural rubber. With its large population base, India is emerging as a large market for rubber products and with the opening up of the economy; import of rubber products has also been increasing in recent years.

### 3. OPPORTUNITIES AND THREATS

Indian rubber industry has been growing in along with the strength and importance, as a part of India's burgeoning role in the global economy. The export share of Indian natural rubber has increased tremendously over the years.

The Company has improved its sales during the financial year under review both in domestic as well as export sales. The Company is exploring other opportunities for exports. In the financial year 2013-14, your company expects that the sales would be increased in terms of both domestic and export markets. By efficiently utilising its resources in production of high yielding products, the Company effectively exercises cost control. With the help of external and in house rubber technologists, your company continuously conducts research and tests to ensure consistent good quality products. Also, with constant monitoring of product parameters and testing in fully equipped laboratories, the Company maintains quality of its products and ensures customer satisfaction.

### 4. OUTLOOK FOR THE COMPANY

The Company is consistently focusing on specialization of high value products in order to be ahead of the international competition. During the year, the company received high value orders from various foreign countries and it would help to the Company to bring growth in future for export market. The company is seriously taking effort to manage customer satisfaction towards domestic and international market by maintaining improved quality products and timely dispatches which would play a vital role to increase the sales of the Company.

### 5. INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control to ensure that all assets of the Company are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. The Company has a comprehensive internal audit manual, which is strictly adhered to for carrying out internal audits. A summary of audit observations and action taken by the management are placed before and discussed at the Audit Committee Meeting. The suggestions and directions of the Audit Committee are recorded and action taken accordingly.

### 6. FINANCIAL & OPERATIONAL PERFORMANCE

During the financial year 2012-13, the turn over of the Company was Rs. 1789.74 lacs as compared to Rs. 1578.82 lacs in the previous year. The export turnover of your Company during the financial year was Rs. 448.82 lacs.

### 7. HUMAN RESOURCE/INDUSTRIAL RELATION

A dynamic global business scenario requires continuous learning and upgrading of skills in order to retain the competitive edge. Skill building through acquiring products knowledge, optimum utilization of existing resources and conducting training programmes by professionals are some of the initiative undertaken. The Company also takes adequate steps for in-house training of employees and maintaining safety and healthy environment for workers within the factory premises.

### 8. CAUTIONARY STATEMENT

Statement in this report may contain certain statements that might appear to be forward looking. However, these statements are subject to certain risks and uncertainties. The end results accomplished might differ materially from those expressed in these statements as the operations of the Company could have the impact of raw material availability and prices, Government policies, economic development within and outside India and other incidental factors.