

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

**1. ECONOMIC OVERVIEW**

The relevant industry is Rubber products manufacturing other than tyre industry. This industry consists of mostly SME s.

During the year 2015-16 most of these companies were affected by the shortage and volatility of natural rubber, the main raw material. The industry faced various problems like poor availability of quality raw material, high cost of power, high cost of technology upgradation and virtually no Government support.

The rubber production, compared to 2014-15 came down by 15% i.e from 6,45,000 tonnes to 5,63,000 tonnes. This gap could not be bridged even by imports since the Government levied 25% duty and port restrictions. The prices of rubber went up by 40% and the industry could not absorb such a sharp rise in prices.

In addition to this when there was a 25% duty on the import of raw material there was 0% to 10% duty on the import of finished goods which further affected the domestic manufacturers.

**2. INDUSTRY STRUCTURE AND DEVELOPMENT**

India is one of the leading rubber producers in the world. India rubber industry is basically divided into two sectors - tyre and non-tyre. The tyre sector produces all types of auto tyres, conventional as well as radial tyres and exports to advanced countries like USA, EU etc.

The non-tyre sector comprises the large, medium scale, small scale and tiny units. It produces high technology and sophisticated industrial products. The Indian rubber products have been exported to around 190 countries in the world including USA, Russia, UK, Bangladesh, Italy, Nepal, Germany, Oman, France, Saudi Arabia, UAE, African countries etc. and exports have gone up manifold. India's share in the International market is merely 1.48% whereas China is at 11%. Therefore, there is enough potential for the exports.

The yardstick to measure the growth rate of the industry is rubber consumption. The global per capita rubber consumption is at 3.2 kg, China at 8 kg., Developed countries at 14 kg., and India only 1.16 kg. This can give us fair indication of the scope for the industry.

The Indian Rubber Industry is highly labour and energy intensive. With around 6000 units comprising 30 large scale, 300 medium scale and around 5670 SSI / tiny sector units, manufacturing 35000 rubber products, employing directly 400 hundred thousand people, including around 22000 technically qualified support personnel. The Indian Rubber Industry plays a core sector role in the Indian national economy. The industry has certain distinct advantages like - an extensive plantation sector; indigenous availability of the basic raw materials, like natural rubber, synthetic rubber, reclaim rubber, carbon black, rubber chemicals, fatty acids, rayon, and nylon yarn and so on; large domestic market; availability of cheap labour; training facility in various technical institutes; improved living standards of the masses. All these ground support help the Indian rubber industry to poise for an all round development and a quantum jump in production and technology up gradation in near future

**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 Rubber product manufacturing is increasing.

The Company has its presence in Srilanka, European and US market. reviewed its sales during the financial year , both in domestic as well as export sales. The Company is exploring other opportunities for exports. In the financial year 2016-17, your company expects that the sales would be increased in terms of both domestic and export markets. With the help of external and in house rubber technologists, your company continuously conducts research and tests to ensure consistent good quality products.

The volatile nature of raw rubber prices is a matter of concern. The Company cannot enter into long term rate contract on fixed prices.

**4. OUTLOOK FOR THE COMPANY**

The Company has decided to concentrate more on the export market and some high value products to overcome competition and reducing margins. The Company has made plans for major Capital expenditure to improve the productivity and reduce the down time due to constant break downs. With the implementation of these plans the Company can stop its losses and once again be on the path of growth.

**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 2015-16, the turnover of the Company was Rs. 917.65 lacs as compared to Rs. 1310.96 lacs in the previous year. The export turnover of your Company during the financial year was Rs. 298.44 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.