

ANNEXURE III TO DIRECTORS REPORT MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. ECONOMIC OVERVIEW

The Indian economy grew at 7.3 per cent in 2014-15 due to improvement in the performance of both services as well as manufacturing sectors.

According to the data release by the Central Statistics Office, the growth in 2014-15 was lower than the advance estimates of 7.8 per cent released. The fourth quarter (January-March) of last fiscal saw the economy grow at 7.5 per cent, better than 6.6 per cent recorded for the previous three months, October-December.

The manufacturing sector GVA rose by 7.1 per cent during the year as against 5.3 per cent in 2013-14. Similarly, the output of electricity, gas, water supply and other utility services rose by 7.9 per cent as against 4.8 per cent a year ago.

The construction activity too registered an increase of 4.8 per cent, up from 2.5 per cent a year ago. Financial, real estate and professional services also showed an improvement by registering a growth of 11.5 per cent as against 7.9 per cent in previous fiscal.

However, the farm and allied sectors grew by a meagre 0.2 per cent compared to 3.7 per cent a year ago. The output of mining and quarrying sector too slipped to 2.4 per cent from 5.4 per cent a year ago.

The manufacturing sector recorded a growth rate of 8.4 per cent during the last quarter of last fiscal, up from 4.4 per cent a year ago. The services sector too witnessed marked improved during the quarter.

2. INDUSTRY STRUCTURE AND DEVELOPMEN

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. 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 small-scale sector accounts for over 50% of production of rubber goods in the non-tyre sector. 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. The yardstick to measure the growth rate of the industry is rubber consumption. Besides yearly consumption of rubbers - natural, synthetic and reclaim, there are other raw materials like carbon black, rubber chemicals, tyre cords, plasticizers, process oils, zinc oxide, stearic acid, titanium dioxide, and other miscellaneous chemicals which are mostly available indigenously. This apart, almost all types of major rubber machinery are being manufactured in the country.

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 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 natural rubber has increased tremendously over the years.

The Company has 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 2015-16, your company expects that the sales would be increase in terms of both domestic and export markets. By efficiently utilizing 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 parameter 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, like Australia and United States and 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 2014-15, the turnover of the Company was Rs. 1312 lacs as compared to Rs. 1695.37 lacs in the previous year. The export turnover of your Company during the financial year was Rs. 436.83 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.