

# Birla Precision Technologies Limited

(Formerly Birla Kennametal Limited)

ISO 9001 : 2000 &  
ISO 14001 : 2004  
CERTIFIED

## Birla Precision

Machining Center Tooling



**BPT**  
**BIRLA**  
PRECISION

22<sup>nd</sup> ANNUAL REPORT  
2008-09



THE YASH BIRLA GROUP

## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	: Shri Yashovardhan Birla	- Chairman
	Shri M. S. Arora	- Managing Director
	Shri P. V. R. Murthy	
	Dr. W. R. Correa	
	Shri Shailesh Sheth	
	Shri M. S. Adige	
	Shri A. P. Kurias	
<b>VICE PRESIDENT</b>	: Shri Anil Choudhari	
<b>COMPANY SECRETARY</b>	: Shri Manish Parikh	
<b>AUDITORS</b>	: Dalal & Shah	
	Chartered Accountants	
	252, Veer Sawarkar Marg,	
	2nd Floor, Shivaji Park,	
	Dadar (W), Mumbai - 400 028	
<b>BANKERS</b>	: ICICI Bank Limited	
	Bank of Maharashtra	
<b>REGISTERED OFFICE &amp; FACTORY</b>	: B-15/4, M.I.D.C. Industrial Area	
	Waluj, Aurangabad - 431 133 (M.S.)	
<b>REGISTRAR &amp; SHARE TRANSFER AGENTS</b>	: M/s. Karvy Computershare Pvt. Ltd.	
	17-24, Vittalrao Nagar, Madhapur,	
	Hyderabad - 500 081 (A.P.)	

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**22<sup>nd</sup> Annual General Meeting**  
**Wednesday, 30<sup>th</sup> September, 2009**  
**at 3.30 p.m.**  
**at Registered Office of the Company at**  
**B-15/4, M.I.D.C., Waluj,**  
**Aurangabad - 431 133 (M.S.)**

## NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 22<sup>ND</sup> ANNUAL GENERAL MEETING OF BIRLA PRECISION TECHNOLOGIES LIMITED will be held on Wednesday, 30<sup>th</sup> September, 2009 at 3.30 p.m., at the Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133 to transact the following businesses:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as at that date together with the Report of Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended 31<sup>st</sup> March, 2009.
3. To appoint a Director in place of Shri P.V.R. Murthy who retires by rotation and is eligible for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
  

**"RESOLVED THAT** Dr. W.R. Correa, a Director who retires at this meeting by rotation and does not wish to be re-appointed, is therefore not reappointed and the resulting vacancy be not filled up."
5. To appoint M/s. Dalal and Shah, Chartered Accountants, retiring Auditors as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix their remuneration.

### SPECIAL BUSINESS

#### 6. Appointment of Shri M.S. Arora as a Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

**"RESOLVED THAT** Shri M.S. Arora who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22<sup>nd</sup> October, 2008 and who holds office upto the date of the forthcoming Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

#### 7. Appointment of Shri M.S. Arora as a Managing Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

**"RESOLVED THAT** in accordance with the provisions of Section 2(26), 269, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), and subject to such other approval if and as may be required, including from Central Government, Shri M.S. Arora, who is already a Managing Director of Zenith Birla (India) Limited, be and is hereby appointed as a Managing Director of the Company for a period of five years commencing from 30<sup>th</sup> July, 2009, without any remuneration.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as it may consider necessary or expedient for giving effect to the aforesaid resolution.

**FURTHER RESOLVED THAT** the Board of Directors be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or any of the Directors of the Company to give effect to the aforesaid resolution."

**8. Appointment of Shri A.P. Kurias as a Director**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

**"RESOLVED THAT** Shri A.P. Kurias who was appointed by the Board of Directors as an Additional Director of the Company with effect from 30<sup>th</sup> July, 2009 and who holds office upto the date of the forthcoming Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

**By Order of the Board of Directors**

**Place: Mumbai**

**Date : 27<sup>th</sup> August, 2009**

**Manish Parikh  
Company Secretary**

**NOTES**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the businesses under Item Nos. 4, 6, 7 and 8 set out above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued by the member organization.
3. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 25<sup>th</sup> September, 2009 to Wednesday, 30<sup>th</sup> September, 2009 (both days inclusive).  
The dividend on equity shares for the year ended 31<sup>st</sup> March, 2009, if declared at this meeting, will be paid:
  - (i) in respect of shares held in electronic form, on the basis of beneficial ownership, at the close of business hours on Thursday, 24<sup>th</sup> September, 2009 as per the details furnished by depositories, and;
  - (ii) to those members, holding shares in physical form, whose name appear in the Register of Members of the Company on Wednesday, 30<sup>th</sup> September, 2009.
4. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrant, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrars and Share Transfer Agents.
5. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS, mandates, nominations, power of attorney, change of address/name, etc. to their Depository Participant only and not the Company's Registrars and Share Transfer Agents. Changes intimated to Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrars and Share Transfer Agents to provide efficient and better service to the Members.
6. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.

**By Order of the Board of Directors**

**Place: Mumbai**

**Date : 27<sup>th</sup> August, 2009**

**Manish Parikh  
Company Secretary**

**EXPLANATORY STATEMENT**

The following Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 (the Act), sets out all material facts relating to the business mentioned at Item Nos. 4, 6, 7 & 8 of the accompanying Notice:

**Item No. 4**

Dr. W.R. Correa will be retiring by rotation at this Annual General Meeting. He has informed the Company expressing his inability to continue as a Director due to personal reasons and has decided not to seek re-appointment.

It is recommended that his request be accepted by Members and that the resulting vacancy be not filled up.

None of the Directors, except Dr. W.R. Correa, is concerned or interested in the said resolution.

**Item No. 6**

The Board of Directors of the Company appointed Shri M.S. Arora as an Additional Director of the Company with effect from 22<sup>nd</sup> October, 2008, pursuant to Section 260 of the Act and Article 136 of the Articles of Association of the Company. Under Section 260 of the Act, Shri M.S. Arora ceases to hold office at this Annual General Meeting but is eligible for appointment as Director. Notice under Section 257 of the Act has been received from a Member signifying his intention to propose appointment of Shri M.S. Arora as a Director.

The Board accordingly recommends the Resolution at Item No. 6 for approval by the Members.

None of the Directors except Shri M.S. Arora is concerned or interested in the said resolution.

**Item No. 7**

At the meeting of the Board of Directors held on 30<sup>th</sup> July, 2009, Shri M.S. Arora was appointed as a Managing Director of the Company for a period of five years w.e.f. 30<sup>th</sup> July, 2009, without any remuneration, subject to the approval of members of the Company in the ensuing Annual General Meeting.

Shri M.S. Arora, aged 47 years, is a BE (Mechanical) from REC, Bhopal by academic qualification. In more than two decades of experience in the field of Operations, Marketing, Export and General Management, he has worked in Companies like Welspun Gujarat Stahl Rohren Ltd., PSL Ltd., Voltas Limited and Man Industries Limited. Shri M.S. Arora is also a Managing Director of Zenith Birla (India) Limited, a group Company of The Yash Birla Group. Board of Directors is of the view that his expert knowledge and vision will help the Company to flourish its business.

Draft of the agreement between the Company and Shri M.S. Arora is available at the Registered Office of the Company and is open for inspection by members during office hours.

The Board accordingly recommends the Resolution at Item No. 7 for approval by the Members.

None of the Directors except Shri M.S. Arora is concerned or interested in the said resolution.

**Item No. 8**

The Board of Directors of the Company appointed Shri A.P. Kurias as an Additional Director of the Company with effect from 30<sup>th</sup> July, 2009 pursuant to Section 260 of the Act and Article 136 of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956, Shri A. P. Kurias ceases to hold office at this Annual General Meeting but is eligible for appointment as a Director. Notice under Section 257 of the Act has been received from a Member signifying his intention to propose the appointment of Shri A.P. Kurias as a Director.

The Board accordingly recommends the Resolution at Item No. 8 for approval by the Members.

None of the Directors except Shri A.P. Kurias is concerned or interested in the said resolution.

**By Order of the Board of Directors**

**Place: Mumbai**  
**Date : 27<sup>th</sup> August, 2009**

**Manish Parikh**  
**Company Secretary**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009**

To the Members,

Your Directors are pleased to present the Twenty Second Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2009.

**FINANCIAL RESULTS:**

<b>Particulars</b>	<b>2008-09</b> (Rs.in '000)	<b>2007-08</b> (Rs.in '000)
Net sales including other Income	<b>273437</b>	<b>315361</b>
Profit before Interest, Depreciation and Tax	<b>46460</b>	<b>84679</b>
Less: Interest	<u>8647</u>	<u>3414</u>
Profit before Depreciation and Taxation	<b>37813</b>	<b>81265</b>
Less: Depreciation	<u>28369</u>	<u>19513</u>
<b>Profit before taxation</b>	<b>9444</b>	<b>61752</b>
Less: Provision for taxation	<u>3806</u>	<u>8419</u>
<b>Net profit after taxation</b>	<b>5638</b>	<b>53333</b>
Add/(Less) Prior period adjustments	<u>(27)</u>	<u>(10)</u>
<b>Profit for the year</b>	<b>5611</b>	<b>53323</b>
Add: Balance brought forward from previous year	<u>124194</u>	<u>82661</u>
<b>Total Profit available for appropriation</b>	<b>129805</b>	<b>135984</b>
<b>Appropriation:</b>		
Transferred to General Reserve	<u>942</u>	<u>6174</u>
Proposed Dividend	<u>1600</u>	<u>4800</u>
Tax on Dividend	<u>272</u>	<u>816</u>
<b>Balance carried to Balance Sheet</b>	<b>126991</b>	<b>124194</b>

**DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs. 0.10 per share for the year ended 31<sup>st</sup> March, 2009 on the equity share capital of Rs. 3.20 crores.

**PERFORMANCE REVIEW**

The Sales and Other Income of the Company for the financial year 2008-09 stood at Rs. 2734.37 lacs as against last year's Rs. 3153.61 lacs, registering a decline of 13.29% over last year. Profit after tax decreased to Rs. 56.11 lacs as against Rs. 533.23 lacs of last year.

The global slowdown has adversely affected the financial performance of the Company. The Company's products are mainly supplied to automobile & engineering companies majority of which are located in USA through Kennametal Inc, U.S.A. Moreover, our product being Machine Tool Accessory is a capital item. The global slowdown has badly affected the procurement of capital items by the automobile and allied sectors thereby affecting the Companies engaged in supplying such capital items to automobile and allied sectors.

**NEW PROJECT**

Your Company has started a new project for manufacturing/machining of auto and precision components at Aurangabad. An investment of approx. Rs. 6 crores has already been made for the same in the Financial Year 2008-09.



## **PROPOSED MERGER OF INDIAN TOOL MANUFACTURERS (A DIVISION OF ZENITH BIRLA (INDIA) LIMITED) WITH THE COMPANY**

Your Company is engaged in the business of manufacturing of a wide range of precision AT3 Class tool holders, HSK tooling, Expanding Mandrels and Sleeves besides advanced products like hydro grip and shrink fit CNC tooling. Indian Tool Manufacturers (a division of Zenith Birla (India) Limited) is a pioneer in manufacture and supply of high speed steel cutting tools. With a view to realign the auto /engineering businesses, The Yash Birla Group has taken a policy decision to merge Indian Tool Manufacturers with the Company.

The Board of Directors at its meeting held on 22<sup>nd</sup> October, 2008 has approved the Scheme of Arrangement ("Scheme") under Section 391 to 394 of the Companies Act, 1956, inter alia, providing for merger of Indian Tool Manufacturers with the Company.

'In-principal' approval to the Scheme has been received from Bombay Stock Exchange Limited. The Scheme has also been approved in the Court Convened Meeting by the members of the Company. Pending approval of the Scheme from the Hon'ble High Court of Judicature at Bombay, as well as completion of other necessary formalities in this regard, the Balance Sheet as at 31<sup>st</sup> March, 2009 and Profit & Loss Account for the year ended on that date do not reflect the adjustments and effects arising from the Scheme as envisaged, which would be considered as and when the Scheme is approved and implemented.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

Company has taken effective steps at every stage to reduce energy consumption and conserve energy in all phases of operation.

Your Company has been continuously upgrading facilities in order to minimize power consumption, maximizing on power factors at its manufacturing location.

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as Annexure 'A'.

## **INSURANCE**

All properties and insurable interests of the Company including Building and Plant & Machinery have been adequately insured.

## **PARTICULARS OF EMPLOYEES**

During the year under review, there was no employee covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## **PUBLIC DEPOSIT**

Your Company has not accepted any fixed deposit from the public. As such, no amount of principal or interest is outstanding as on the Balance Sheet date.

## **DIRECTORS RESPONSIBILITY STATEMENT**

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statement for the period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that:

- I) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- II) Appropriate accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;
- III) Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability;
- IV) The annual accounts have been prepared on a "going concern basis".



## Birla Precision Technologies Limited

### DIRECTORS

Shri M.S. Arora was appointed as an Additional Director of the Company w.e.f. 22<sup>nd</sup> October, 2008. At the meeting of the Board of Directors held on 30<sup>th</sup> July, 2009, Shri M.S. Arora was appointed as a Managing Director of the Company, subject to the approval of members of the Company in the ensuing Annual General Meeting.

The Board of your Company has been further strengthened by the induction of Shri A.P. Kurias, who was appointed as an Additional Director on 30<sup>th</sup> July, 2009.

As per the provisions of Section 260 of the Companies Act 1956, these directors hold office only upto the date of forthcoming Annual General Meeting of the Company. The Company has received notices proposing Shri M.S. Arora and Shri A.P. Kurias as candidates for the office of Director pursuant to Section 257 of the Companies Act, 1956.

Shri P.V.R. Murthy, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. W.R. Correa, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, has informed the Company expressing his inability to continue as a Director due to personal reasons and has decided not to seek re-appointment.

### AUDITORS & AUDITORS' REPORT

M/s. Dalal & Shah, Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting. They have confirmed that their re-appointment, if made, will be in accordance with the provisions of sub-section (1B) of Section 224 of the Companies Act, 1956. The notes referred to by the Auditors in their report are self explanatory and hence do not require any explanation.

### MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis, Corporate Governance Report and Auditors' certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

### HUMAN RESOURCE & INDUSTRIAL RELATIONS

Industrial relations were harmonious throughout the year. The Board wishes to place on record their sincere appreciation to the co-operation extended by all employees in maintaining cordial relations.

### ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and Government authorities and stock exchange for their continued support. The Directors also wish to place on record their appreciation for the contribution made by business partners / associates at all levels.

**By Order of the Board of Directors**

Place: Mumbai  
Date : 27<sup>th</sup> August, 2009

**M. S. Arora**  
Managing Director



**ANNEXURE – 'A' TO THE DIRECTORS' REPORT**

A. **Conservation of Energy** : not specified for our Industry but various programs undertaken during the year contributed to conservation of energy.

B. **Technology absorption** : Research & Development.

1. **Specific Areas in which R & D carried out by the Company:**

Development of Hydraulic chucks, HSK 100, shrink fit holder was undertaken during the year.

2. **Benefit derived as a result of the above R & D :**

Meet market demand of new generation tooling, which are import substitute items and export products to overseas countries.

3. **Future Plan of action:**

Future development of products such as Hydraulic Sleeves, ER collets of different sizes, HSK50 being taken up.

4. **Expenditure on R & D :**

- |                                 |   |                 |
|---------------------------------|---|-----------------|
| a) Capital                      | ) |                 |
| b) Recurring                    | ) | Not Quantified. |
| c) Total                        | ) |                 |
| d) Total R & D Expenditure as a | ) |                 |
| Percentage of total turnover    | ) |                 |

5. **Technology Absorption, Adaptation and innovation:**

Process of Technology transfer continued in the areas mentioned above.

C. **Foreign Exchange Earning and Outgo:**

1. **Activities relating to export, initiatives taken to increase exports:**

Company exports AT3 Class Tool holders to U.S.A., Europe & Asia Pacific Countries. The Product quality is well accepted worldwide.

2. **Total foreign exchange used and earned:**

	2008-09	2007-08
	(Rs. in 000)	(Rs. in 000)
Total Foreign Exchange used	99038	75175
Total Foreign Exchange earned	232603	280428

**By Order of the Board of Directors**

**Place: Mumbai**  
**Date : 27<sup>th</sup> August, 2009**

**M. S. Arora**  
**Managing Director**

**MANAGEMENT DISCUSSION & ANALYSIS REPORT****ECONOMY AND MARKET TRENDS****Global Economy**

The global economy has been in a severe recession caused by massive financial crisis and acute loss of confidence. According to the April 2009 forecast of the International Monetary Fund, during 2009, global GDP is projected to contract to (1.3) per cent compared to a growth of 3.2 percent in 2008 and 5.2 percent in 2007.

The resultant lack of liquidity in the market, resulted in the drying up of consumer credit and working capital, leading to an unprecedented reduction in demand and the consequent inability of companies to finance their operations. This led to a domino-effect downward spiral in various industrial sectors like construction, automobiles, consumer products and capital goods. The effects of this downturn were initially felt in the industrialised nations but spread quickly to most other countries around the world.

**Indian Economy**

Indian economy, too, witnessed slowdown with almost all the sectors registering a decelerating or negative growth. According to the Central Statistical Organization, the Real GDP growth rate estimated for 2008-09 has gone down significantly to 7.1 per cent from 9.0 per cent in the previous year.

**Machine Tool Industry**

Your Company is engaged in the business of manufacturing of wide range of precision AT3 Class tool holders, HSK tooling, Expanding Mandrels and Sleeves besides advanced products like hydro grip and shrink fit CNC tooling. These products are capital items and the global slowdown has badly affected the procurement of capital items by the automobile and allied sectors thereby affecting the Companies engaged in supplying such capital items to automobile and allied sectors.

The effect of global slowdown was more in developed countries like U.S.A. as compared to developing countries. As the Company's products are mainly supplied to automobile & engineering companies, majority of which are located in USA through Kennametal Inc, U.S.A., the financial performance of your Company was adversely affected during the Financial Year 2008-09.

**OPPORTUNITIES AND OUTLOOK**

The Company has diversified into the business of manufacturing/machining of auto and other components. An approximate investment of Rs. 6 crore has already been made for the same in the Financial Year 2008-09.

As already mentioned in the Directors Report, the Board of Directors at its meeting held on 22<sup>nd</sup> October, 2008 has approved the Scheme of Arrangement ("Scheme") under Section 391 to 394 of the Companies Act, 1956, inter alia, providing for merger of Indian Tool Manufacturers (a division of Zenith Birla (India) Limited) with the Company. The said Scheme is pending for the approval of Hon'ble High Court of Judicature at Bombay.

Indian Tool Manufacturers is a pioneer in manufacture and supply of high speed steel cutting tools. Once the said Scheme is implemented, the large asset base and financial strength of the merged entity will result in maximizing overall shareholders value. The synergies that exist between the two entities in terms of products and resources can be put to the best advantage. Further, it will also enable the Company to undertake larger projects in tooling sector, thereby contributing to enhancement of future business potential.

**THREATS / RISKS & CONCERNS**

The major risks and concerns attributed to the performance of the Company are:

1. The Company is exposed to risks from market fluctuation of foreign exchange. During the year under review, the financial performance of the Company was affected due to foreign exchange loss in foreign currency term loan.