

57<sup>th</sup> Annual Report 2017-2018



GWELD

SEAL OF TRUST

GEE LIMITED

## The Board of Directors

**Govind Kumar Saraf**  
Executive Director

**Sanwarmal Agarwal**  
Whole Time Director

**Payal Agarwal**  
Whole Time Director & Chief Financial Officer

**K. M. Panthaki**  
Independent Director

**Anilkumar Agarwal**  
Independent Director

**S. S. Samarth**  
Independent Director

### Registered Office

Plot No. E-1, Road No. 7, Wagle Industrial Estate,  
Thane (West) - 400 604

### Works

Dhulagarh Industrial Park,  
NH-6, Dhulagori, P. O. & Village - Kanduaah,  
Howrah - 711 302, West Bengal, India.

Plot No. B-12, MIDC,  
Kalyan Bhiwandi Road,  
Saravali, Kalyan - 421 311  
Maharashtra, India.

### Auditors

M/s P. B. Shetty & Co  
Chartered Accountants

### Cost Auditors

Ajekar Shivaraya Kini  
Cost Accountants

### Secretarial Auditor

M/s. Deep Shukla & Associates  
Practising Company Secretaries

### Bankers

The Thane Janata Sahakari Bank Ltd.  
DBS Bank Ltd.  
ICICI Bank Ltd.



Mumbai Plant



Kolkata Plant

# DIRECTORS' REPORT

## Dear Shareholders,

Your Directors have pleasure in presenting the 57th Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2018.

## FINANCIAL RESULTS

The financial highlights is given below:

(Amount in ₹ Lakhs)

Particulars	Standalone	
	2017-2018	2016-2017
Net Revenue from operations	21,599.46	19,856.90
Other Income	69.85	23.88
<b>Net Revenue</b>	<b>21669.30</b>	<b>19880.78</b>
<b>Net Profit Before Tax</b>	<b>497.58</b>	<b>564.83</b>
Provision for Tax	155.02	219.27
<b>Net Profit After Tax</b>	<b>342.56</b>	<b>345.56</b>
Other Comprehensive Income		
-Items that will not be reclassified to profit or loss	(0.16)	0.18
<b>Total Comprehensive income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>	<b>342.41</b>	<b>345.74</b>
Earnings per equity share (for continuing operation):		
-Basic & Diluted (In Rs.)	1.45	1.46

## State of Affairs and Operational Review

The financial year under review continued to pose challenges and the economic environment remained dynamic. The Government introduced a significant and landmark change by introducing the Goods and Services Tax. Your Company remained committed to its promise of growth in top lines, thereby capturing higher market presence slowly but steadily.

During the year under review, the total Net Revenue was Rs.21,669 lakhs as against Rs. 19,880 lakhs for the corresponding previous year.

Profit after Tax for the period 2017-18 was Rs.342.41 lakhs as against Rs.345.74 lakhs in the corresponding previous year.

## INDAS Standards

Your Company has adopted IND AS with effect from 1 April, 2017 pursuant to the notification dated February 15, 2015 under Section 133 of the Companies Act, 2013 issued by the Ministry of Corporate Affairs. Your Company has published IND AS financials for the year ended 31 March, 2018 along with comparable financials for the year ended 31 March, 2017 together with opening statement of Assets and Liabilities as on 1 April, 2016.

## Management Discussion and Analysis

The Management Discussion and Analysis Report, which gives a detailed state of affairs of the Company's operations forms part of this Annual Report as an 'Annexure I'.

## Dividend

The Board of Directors are pleased to recommend a dividend of 15% on the paid up equity share capital of the Company, which amounts to Rs.0.30/- per share, subject to the approval of the members at their ensuing Annual General Meeting.

The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 22<sup>nd</sup> September, 2018 to Saturday, 29<sup>th</sup> September, 2018 (both days inclusive) for the purpose of payment of dividend for the Financial Year ended March 31, 2018 and the AGM.

**Reserves**

Your Company has transferred an amount of Rs.200.00 Lakhs to the General Reserve for the Financial Year ended 31<sup>st</sup> March 2018.

**Directors and Key Managerial Personnel****Inductions/Appointment or Re-appointment of Director**

The Board of Directors had appointed Mr. Anilkumar Agrawal and Mr. Shirish Samarth as Additional (Independent) Directors in their meeting held on 17<sup>th</sup> April, 2018, in pursuant to section 161 of the Companies Act, 2013 read with Articles of Association of the Company, who shall hold the office until the 57<sup>th</sup> Annual General Meeting.

**Cessation of Directorship**

The following directors were resigned from the Board of the Company:

Sr. No.	Name of the Director	Designation	Date of Resignation
1	Mr. Utsav Kapadia	Non-Executive Director	24 <sup>th</sup> August 2017
2	Mr. Rakesh Mundra	Independent Director	14 <sup>th</sup> December 2017
3	Mr. Ashok Kumar	Independent Director	14 <sup>th</sup> December 2017
4	Mr. Shankarlal Agarwal	Managing Director	30 <sup>th</sup> December 2017
5	Mr. Sujit Sen	Independent Director	02 <sup>nd</sup> April 2018

**Retire by Rotation**

In accordance with section 152(6) of the Companies Act, 2013 and in terms of Articles of Association of the Company Mr. Sanwarmal Agarwal (DIN:01007594), Whole-time Director of the Company, retires by rotation and being eligible; offers himself for re-appointment at the forthcoming 57<sup>th</sup> Annual General Meeting. The Board recommends the said reappointment for shareholders' approval.

**Re-appointment of Independent Director**

The Nomination and Remuneration Committee recommends to re-appoint Mr. Kobad Maneckshah Panthaki as an Independent Director on Board of the Company for a second term for a period of five years upto 31<sup>st</sup> March, 2024.

In the opinion of the Board, Mr. Kobad Maneckshah Panthaki fulfills the conditions for appointment as Independent Directors as specified in the Act and the Listing Regulations.

The special resolution for re-appointment of Mr. Kobad Maneckshah Panthaki as an Independent Director, forms part of the Notice convening the Annual General Meeting ('AGM') scheduled to be held on September 29, 2018.

**Disclosures by the Directors**

All the directors of the Company have confirmed that they meet all the criteria as prescribed under the applicable regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

**Declaration by Independent Directors**

The Independent Director(s) have submitted their disclosure to the Board that they fulfill all the requirements as to qualify for their appointment as Independent Director, under the provisions of section 149 of the Companies Act, 2013 as well as Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Discussions with Independent Directors**

The Board's policy is to regularly have separate meetings with Independent Directors, to update them on all business related issues, new initiatives and changes in the industry specific market scenario. At such meetings, the Executive Directors and other Members of the Management make presentations on relevant issues.



The policy for Familiarisation Programme for Independent Directors is available on our website [www.geelimited.com](http://www.geelimited.com).

#### **Performance evaluation and its criteria**

Pursuant to provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out an annual evaluation of the Board as a whole, various Committees, Directors individually and the Chairman.

The statement including the manner in which the evaluation exercise was conducted is included in the Corporate Governance Report, which forms part of this Report.

#### **Key Managerial Personnel**

During the year under review, Mr. Shankarlal Agarwal resigned from the post of Managing Director of the Company with effect from 30<sup>th</sup> December 2017.

Mr. Omkar Mhamunkar, Company Secretary of the Company has tendered his resignation from post of Company Secretary with effect from 08<sup>th</sup> May, 2017.

Further, the Board has appointed Mr. Sumeet More as the Company Secretary in whole time in employment with effect from 27<sup>th</sup> April, 2017 and he tendered his resignation as the Company Secretary with effect from 30<sup>th</sup> June, 2018.

#### **Number of Board Meetings**

During the year, 06 (Six) Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **Board and its Committees**

The details pertaining to Board and following committees formed by the Board of Directors are included in the Corporate Governance Report, which forms part of this Report:

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee

#### **Director's Responsibility Statement**

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) The directors have selected such accounting policies and applied them consistently and made judgments 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 and loss of the company for that period;
- (c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors have prepared the annual accounts on a going concern basis; and
- (e) The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Public Deposits**

The Company has neither accepted nor renewed any fixed deposits during the year under review under Section 76 of the Companies Act, 2013. There are no unclaimed deposits, unclaimed / unpaid interest, refunds due to the deposit holders or to be deposited to the Investor Education and Protection Fund as on March 31, 2018.

**Corporate Social Responsibility (CSR)**

In compliance with the requirements of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014, as amended, the Board has a Corporate Social Responsibility Committee. The details of the Committee are provided in the Corporate Governance Report, which forms part of this Annual Report.

Our aim is to be one of the most respected companies delivering superior and sustainable value to all our customers, business partners, shareholders and host communities. In accordance with the provisions of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014, as amended, your Company have undertaken projects as per the CSR Policy and the details of the CSR Activities are given as 'Annexure II' which forms integral part of this Report.

The Company's CSR policy is available at weblink –

<http://www.geelimited.com/upload/media/Investor/policies/GEE-Policy-on-Corporate-Social-Responsibility.pdf>

**Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo**

Details of energy conservation, technology absorption, foreign exchange earnings and outgo in accordance with the provisions of Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as 'Annexure III' which forms part of this Report.

**Particulars of Contracts and Transaction with Related Party**

The Company has formulated a Policy on dealing with Related Party Transactions. The Policy is disclosed on the website of the Company i.e. [www.geelimited.com](http://www.geelimited.com). During the financial year 2017-18, your Company has entered into various transactions with related parties as defined under the Companies Act, 2013 read with applicable rules and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, all of them are in the ordinary course of business and at arm's length basis. However, pursuant to the provisions of Section 178, 188 of the Companies Act, 2013 and Regulation 23 of the Listing Regulations, omnibus approval of the Audit Committee was sought for entering into the related party transactions.

During the year, the Company had not entered into any contract, arrangement or transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Information on transactions with related parties pursuant to Section 134(3)(h) of the Companies Act, 2013 read with rule 8(2) of the Companies (Accounts) Rules, 2014, as amended, are given in Form AOC - 2 as 'Annexure IV' which forms part of this report.

In accordance with Indian Accounting Standard 24, the related party transactions are disclosed under Note No.42 of the Financial Statements.

**Particulars of Loans, Guarantees or Investments**

During the year under review, the Company has not provided any loans, guarantee, security or made any investment covered under the provisions of Section 186 of the Companies Act, 2013.

**Auditors****Statutory Auditors**

The shareholders at the 56<sup>th</sup> Annual General Meeting held on 16<sup>th</sup> September, 2017, had appointed M/s. P B Shetty, Chartered Accountants (Firm Registration No.: 110102W), as the Statutory Auditors of the Company to hold office till the conclusion of 61<sup>st</sup> Annual General Meeting of the Company to be held in the year 2022, subject to the ratification by the members at every Annual General Meeting, at a remuneration decided by the Board of Directors in consultation with the Auditors plus applicable service tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit.

In terms of the provisions relating to statutory auditors forming part of the Companies Amendment Act, 2017, notified on May 7, 2018, ratification of appointment of Statutory Auditors at every Annual General Meeting is no more a legal requirement. However, pursuant to Ordinary Resolution passed at the 56<sup>th</sup> Annual General Meeting, appointment shall be subject to ratification at every Annual General Meeting.

Hence, the Notice convening the ensuing 57<sup>th</sup> Annual General Meeting contains a resolution on ratification of appointment of Statutory Auditors. Further, M/s. P B Shetty, Chartered Accountants (Firm Registration No.: 110102W), has confirmed that they are eligible to continue as Statutory Auditors of the Company to audit the books of accounts of the Company for the Financial Year ending March 31, 2019 and they will continue to be the Statutory Auditors of the Company for Financial Year ending March 31, 2022.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer.

## Internal Audit & Controls

The Company has in place adequate internal financial controls with reference to the financial statement. The Audit Committee of the Board periodically reviews the internal control systems with the management, Internal Auditors and Statutory Auditors. Significant internal audit findings are discussed and follow-ups are taken thereon.

## Secretarial Audit

The Board of Directors appointed Mr. Deep Shukla proprietor of M/s. Deep Shukla and Associates, Company Secretary in Practise, as the Secretarial Auditor of the Company under the provision of Section 204 of the Companies Act, 2013, for conducting the secretarial audit for the financial year 2017-18. The Secretarial Audit Report is annexed as 'Annexure V' which forms integral part of this report.

Explanation(s)/ Comment(s) pursuant to Section 134(3)(F)(II) of the Companies Act, 2013:-

The observation / remarks as given in Secretarial Audit Report are self explanatory.

The Board has also appointed Mr. Deep Shukla proprietor of M/s. Deep Shukla and Associates as Secretarial Auditor to conduct Secretarial Audit of the Company for Financial Year 2018-19.

## Cost Audit

In terms of Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant. In this connection, the Board of Directors of the Company has approved the appointment of M/s. Ajekar Shivaraya Kini, Cost Accountants, appointed as Cost Auditors of the Company for the financial year 2018-19.

In accordance with the provisions of Section 148(3) of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board has to be ratified by the members of the Company. Accordingly, appropriate resolution forms part of the Notice convening the Annual General Meeting. We seek your support in approving the proposed remuneration of Rs. 1,00,000/- plus applicable taxes and out-of-pocket expenses payable to the Cost Auditors for the Financial Year ending March 31, 2019.

## Adequacy of Internal Financial Controls

Your Company's internal control procedures are adequate to ensure compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations. The internal control system in place throughout the Company is aimed at systematic and thorough identification and assessment of all major risks, which threaten the achievement of objectives, including risks related to business operations, finance, legal and strategic. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting.

The internal control system is therefore a significant factor in the management of process risks. Your Company has internal audit team which provide reports and necessary actions where required on various activities covering observation on adequacy of internal controls and their recommendations.

The CEO and CFO Certification and Auditor's Report which forms part of Annual Report, discuss the adequacy of our internal control systems and procedures.

## Details of frauds reported by Auditors

There were no frauds reported by the Statutory Auditors under provisions of Section 143 (12) of the Companies Act, 2013 and rules made thereunder.

## Particulars of Remuneration of Directors, KMP's and Employees

The information as per Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, forms part of this Report as per 'Annexure VI'.

## Nomination and Remuneration Policy

For the purpose of selection of any Director, Key Managerial Personnel and Senior Management Employees, the Nomination and Remuneration Committee identifies persons of integrity who possess relevant expertise, experience and leadership qualities required for the position. The Committee also ensures that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

The Nomination and Remuneration Policy of the Company and Performance Criteria is annexed herewith as 'Annexure VII' which forms part of this Report.

**Vigil Mechanism**

The Company has established a vigil mechanism for Directors and employees by adopting a Whistle Blower Policy which is available at the website of the Company and weblink thereto is <http://www.geelimited.com/upload/media/Investor/policies/GEE-Policy-on-Whistle-Blower-Vigil-Mechanism.pdf>

**Material Changes and Commitments**

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of the Report.

**Details of Significant and Material Orders passed by the Regulators**

There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company.

**Risk Management**

The Company has formulated a Risk Management Policy as per the provisions of Section 134(3)(n) of the Companies Act, 2013. The policies and procedures are reviewed by the Board annually to ensure that there is timely identification and assessment of risks, measures to mitigate them, and mechanism for their proper and timely monitoring and reporting.

The Company does not fall under the ambit of top 100 listed entities, determined on the basis of market capitalisation as at the end of the immediately preceding financial year. Hence, compliance under Regulation 21 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable.

**Extract of Annual Return**

Pursuant to the Provisions of Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, as amended, extract of the Annual Return of the Company in the Form MGT-9 is available on the website of the Company on [www.geelimited.com](http://www.geelimited.com). and is annexed herewith as 'Annexure VIII'

**Corporate Governance Report**

We ensure that, we evolve and follow the corporate governance guidelines and best practices sincerely, not only to boost long-term shareholder value, but also to respect minority rights. We consider it our inherent responsibility to disclose timely and accurate information regarding our operations and performance, as well as the leadership and governance of the Company.

In compliance with Regulation 34(3) read with Schedule V(C) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on Corporate Governance forms part of this Annual Report.

The Auditors' certificate certifying compliance with the conditions of corporate governance as prescribed under Schedule V(E) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to the Corporate Governance Report.

Disclosure on compliance with the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has set up an Internal Complaints Committee for providing a redressal mechanism pertaining to sexual harassment of women employees at the workplace. There was no case of sexual harassment reported during the year under review. The policy is available on the website of the Company i.e. [www.geelimited.com](http://www.geelimited.com)

**Transfer of amounts to Investor Education and Protection Fund (IEPF)**

The unclaimed dividend for a period of seven years is mandatorily deposited in Investor Education and Protection Fund (IEPF) Account in accordance with Section 124 of the Companies Act, 2013. The details of unclaimed dividend are available on the website of the Company at [www.geelimited.com](http://www.geelimited.com). The Company has transferred Rs. 45,163/- pertaining to the financial year 2009-10 to the Investor Education and Protection Fund towards Unclaimed Dividend. The Company will transfer Rs. 52,990.30/- pertaining to the financial year 2010-11 to the Investor Education and Protection Fund by 15<sup>th</sup> November 2018.

In accordance with Section 124(6) of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), as amended from time to time, 1,12,015 equity shares in respect of which dividend has remained unclaimed or unpaid for 7 (seven) consecutive years or more has been transferred to IEPF Suspense Account of the IEPF Authority.

All the underlying equity shares in respect of which dividend has not been paid or claimed for the last seven consecutive years from the financial year 2010-11 are required to be transferred to IEPF Account by 15<sup>th</sup> November 2018. The Company had already sent individual communication to the concerned shareholders whose shares are liable to be transferred to IEPF as per the aforesaid Rules for taking appropriate action. The notice also prescribe the procedures to be followed by an investor, to claim the shares/ amount transferred to IEPF.



The Company has also uploaded the details of such members and shares due for transfer to the IEPF Authority on its website [www.geelimited.com](http://www.geelimited.com) under "Investor Info" section, to enable such members to verify the details of shares liable to be transferred to the IEPF Authority.

Any person whose unclaimed dividend and shares pertaining thereto has been transferred to the IEPF Fund can claim their due amount from the IEPF Authority by making an electronic application in e-form IEPF-5. Upon submitting a duly completed form, Shareholders are required to take a print of the same and send physical copy duly signed along with requisite documents as specified in the form to the attention of the Nodal Officer, at the Registered Office of the Company. The e-form can be downloaded from the website of Ministry of Corporate Affairs [www.iepf.gov.in](http://www.iepf.gov.in).

#### **Secretarial Standards**

The Company has in place proper systems to ensure compliance with the provisions of the applicable secretarial standards issued by The Institute of Company Secretaries of India and such systems are adequate and operating effectively.

#### **Acknowledgement**

Your Directors would like to thank all stakeholders, customers, shareholders, dealers, suppliers, bankers, employees and all other business associates for the continuous support given by them to the Company and its Management.

#### **For and on behalf of the Board**

**Place: Kalyan**

**Date: 29th August, 2018**

Sanwamal Agarwal  
Whole-Time Director  
DIN: 01007594

Payal Agarwal  
Whole-Time Director & CFO  
DIN: 07198236

## Annexure I : Management Discussion And Analysis Report

### Industry Structure and Developments

The Global Welding Consumables Market was valued at \$12,405 million in 2016, and is expected to reach at \$18,286 million by 2023, registering a CAGR of 5.7% from 2017 to 2023. Welding is a reliable, precise, high-tech, and cost-effective method for joining materials, such as metals and alloys, efficiently in various manufacturing industries. These consumables are flux & filler materials used in welding industry and are generally used in arc welding processes.

Rise in consumption of steel coupled with revival of construction industry in domestic market is expected to boost the demand for welding consumables during the forecast period.

The global welding consumables market is segmented based on type, end-user industry, welding technique, and geography. Based on type, it is classified into stick electrodes, solid wires, flux cored wires, and SAW wires & fluxes.

On the basis of end-user industry, it is categorized into aerospace & defense, automotive & transportation, construction, energy, heavy machinery, shipbuilding, and process & others. Based on welding technique, it is divided into arc welding, resistance welding, oxy-fuel welding, laser-beam welding, and others.

Indian economy grew between 6.5 to 6.7% during the financial year 2017-18. Implementation of GST is expected to bring about a level playing field – One Country, One Tax. The Government is addressing key reform areas such as digitisation, tax reforms and financial sector reforms. This will ensure higher magnitude of benefits in the Indian economy's long term development graph.

The net turnover of the Company grew at 8.33% from INR 1980 million in 2016-17 to INR 2143 million in 2017-18. The Company is working aggressively towards capturing new market segment as well as retaining its existing presence.

Raw material consumption saw an increase of approximately 3% from INR 1412 million in 2016-17 to INR 1599 million in 2017-18. Rising prices of steel and other raw materials is a source of concern. The Government had imposed MIP which allowed domestic steel manufacturers to raise the prices of steel. Companies operating in the industry were however unable to pass on the price increase to the customers in the backdrop of stiff competition.

The Company invested in quality manpower and also aligned its wage payment to revisions in Wages Act. This entailed a rise in employee expense from INR 141 million to INR 154 million in 2016-17 and 2017-18 respectively.

Overheads - both direct and indirect were maintained at the same percentage of turnover. The Company worked to bring down cost of finance and saw a marginal reduction in its borrowing cost. Despite all the market dynamics and price escalation pressures on the input side, the Company has maintained its operating profits margins of the previous year.

### Outlook, Opportunities and Threats

Being an ancillary industry, the growth of welding consumables industry has direct relationship with the growth of core industries. The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity that have a total weight of nearly 40.27% in the Index of Industrial Production (IIP) registered a cumulative growth for the period April-May 2018 over the corresponding period of the previous year stands at 4.0 percent.

However, on the other part, specific sectors to which the Company caters to, continued to reflect a relatively low level growth. This in turn affects steel consumption levels which was unable to take off in a more expansive way as predicted. Input costs on steel hardened due to increase in cost of ore and coking coal. The players in the industry as well as your Company were unable to pass through the price increase to its customers. This resulted in a continued strain on operating margins.

Summarising, the long awaited turnaround in manufacturing sector would be a key determining factor for market growth in FY 2018-19. The welding industry has registered the sales of INR 40000 million and almost 71% market share of the welding industry is contributed by consumable industries. As per robust outlook of the infrastructure sector, welding consumables market is expected to grow at CAGR 6% over the next five years. Considering the current political scenario in India, the central government has announced various programmes and the more focus is made on infrastructure development of the country which will give definitive push to core industries in India. This will directly benefit our industry and make considerable positive impact on business.

Your Company is geared up for every emerging opportunity and strives hard to optimise all its resources to the optimum level.

### Internal control systems and their adequacy

The internal control system in place throughout the Company is aimed at systematic and thorough identification and assessment of all major risks, which threaten the achievement of objectives, including risks related to business operations, finance, legal and strategic. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks.