



# TVS Electronics Limited

Annual Report 2019 - 20

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## Corporate Information

### Board of Directors

Gopal Srinivasan, Chairman  
 Srilalitha Gopal, Managing Director  
 D Sundaram  
 M Lakshminarayan  
 M F Farooqui  
 Narayan K Seshadri  
 (upto 6<sup>th</sup> May, 2019)  
 R S Raghavan  
 K Balakrishnan  
 V Sumantran  
 Subhasri Sriram

### Committees of the Board

#### Audit Committee

M Lakshminarayan, Chairman  
 D Sundaram  
 M F Farooqui  
 K Balakrishnan  
 V Sumantran  
 Subhasri Sriram

#### Stakeholders' Relationship Committee

D Sundaram, Chairman  
 Srilalitha Gopal  
 K Balakrishnan

#### Nomination and Remuneration Committee

M F Farooqui, Chairman  
 M Lakshminarayan  
 K Balakrishnan  
 Subhasri Sriram

#### Corporate Social Responsibility Committee

M Lakshminarayan, Chairman  
 D Sundaram  
 R S Raghavan

### Company Secretary & Compliance Officer

K Santosh

### Chief Financial Officer

Karthi Chandramouli  
 (upto June 30, 2019)  
 A Kulandai Vadivelu  
 (from 6<sup>th</sup> April, 2020)

### Statutory Auditors

Deloitte Haskins & Sells,  
 Chartered Accountants  
 ASV N Ramana Tower, 52,  
 Venkatnarayana Road  
 T Nagar, Chennai – 600 017.

### Secretarial Auditors

S A E & Associates LLP,  
 Practising Company Secretaries,  
 #4, "Aishwarya", 12B/177,  
 6th Street Kumaran Colony,  
 Vadapalani,  
 Chennai-600026

### Cost Auditor

P Raju Iyer, Cost Accountant,  
 17 (Old No.8), "Shree Ram Villa",  
 Hasthinapuram Main Road,  
 Nehru Nagar, Chromepet,  
 Chennai – 600 044.

### Bankers

IDFC Bank  
 RBL Bank

### Website

[www.tvs-e.in](http://www.tvs-e.in)

### Investor E-mail ID

[investorservices@tvs-e.in](mailto:investorservices@tvs-e.in)

### Corporate Identity Number

L30007TN1995PLC032941

### Registered Office

249-A, Ambujammal Street,  
 Off TTK Road Alwarpet,  
 Chennai-600018  
 Tel: 91-44-24679400  
 Email ID: [contactus@tvs-e.in](mailto:contactus@tvs-e.in)

### Administrative Office

Arihant E Park, No 117/1  
 8<sup>th</sup> & 9<sup>th</sup> Floor, L B Road  
 Adyar, Chennai - 600 020  
 Tel:91-44-4200 5200  
 Fax No: 91-44-2225 7577

### Plant / Repair Factories locations

#### Uttarakhand

No. E12, Selaqui Industrial Estate,  
 Selaqui, Dehradun,  
 Uttarakhand

#### Tumkur

Panditanahalli, Hirehalli Post,  
 Tumkur District, Karnataka

### Share Transfer Agents

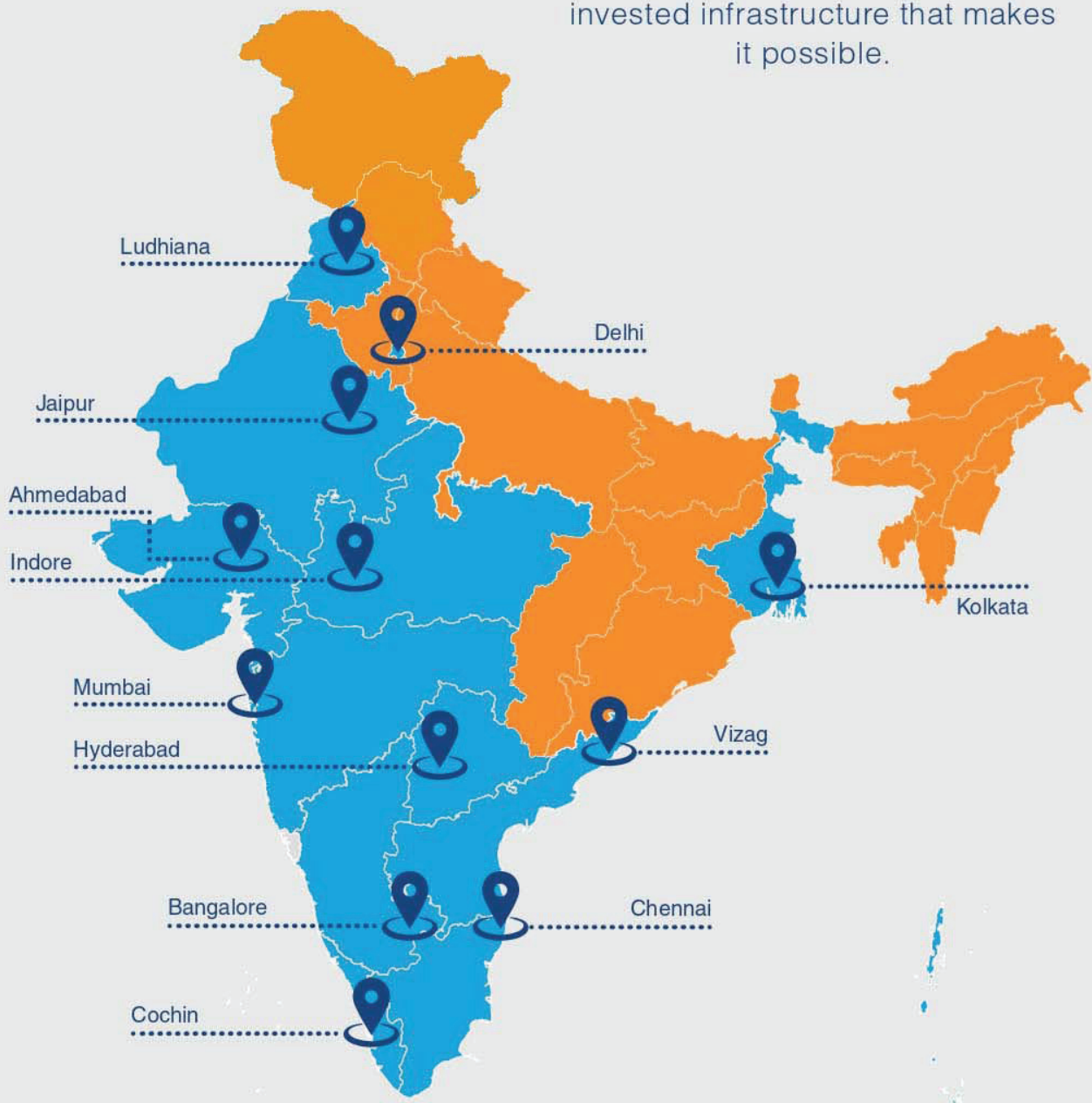
Sundaram-Clayton Limited,  
 "Jayalakshmi Estates" I floor  
 29, Haddows Road  
 Chennai - 600 006  
 Tel: 91-44-28272233 / 28307700  
 Fax No. 91-44-2825 7121  
 E-mail: [arockiaraj@scl.co.in](mailto:arockiaraj@scl.co.in)  
[icsta@scl.co.in](mailto:icsta@scl.co.in)

### Shares Listed at

BSE Limited  
 National Stock Exchange of India Limited

# Our Branch Presence

Having established strong processes and values, we stand tall with an extensive network and well-invested infrastructure that makes it possible.



## Financial Highlights - Standalone - Ten Years at a glance

Particulars	PREVIOUS GAAP										IND AS			
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20				
<b>PROFIT AND LOSS ACCOUNT</b>														
Revenue from operations	18,162	21,661	23,525	24,742	27,006	59,349	252,316	410,890	275,684	25,872				
Other Income	199	375	250	220	97	154	307	220	373	533				
<b>Total Income</b>	<b>18,361</b>	<b>22,036</b>	<b>23,775</b>	<b>24,962</b>	<b>27,103</b>	<b>59,503</b>	<b>252,623</b>	<b>411,110</b>	<b>276,057</b>	<b>26,405</b>				
Earnings before interest Depreciation and Tax (EBITDA)	1,083	1,303	1,080	1,375	1,706	1,977	1,747	3,033	1,831	1,274				
Depreciation	396	504	619	566	697	860	593	446	368	1,040				
<b>Profit before Interest and Tax (EBIT)</b>	<b>686</b>	<b>799</b>	<b>461</b>	<b>809</b>	<b>1,009</b>	<b>1,117</b>	<b>1,154</b>	<b>2,587</b>	<b>1,463</b>	<b>234</b>				
Finance costs	623	659	965	743	692	573	281	142	41	236				
<b>PBT</b>	<b>64</b>	<b>141</b>	<b>(504)</b>	<b>66</b>	<b>317</b>	<b>544</b>	<b>873</b>	<b>2,445</b>	<b>1,422</b>	<b>(2)</b>				
Tax Expense	(90)	1	297	26	88	113	240	821	678	(41)				
<b>PAT</b>	<b>154</b>	<b>140</b>	<b>(801)</b>	<b>40</b>	<b>229</b>	<b>431</b>	<b>633</b>	<b>1,624</b>	<b>744</b>	<b>39</b>				
<b>BALANCE SHEET</b>														
Share Capital	1,767	1,787	1,787	1,802	1,802	1,855	1,861	1,861	1,861	1,865				
Reserves & Surplus	2,324	2,464	1,664	1,749	1,969	2,486	4,925	6,496	6,837	6,197				
<b>Networth</b>	<b>4,091</b>	<b>4,251</b>	<b>3,451</b>	<b>3,551</b>	<b>3,771</b>	<b>4,341</b>	<b>6,786</b>	<b>8,357</b>	<b>8,698</b>	<b>8,062</b>				
Loan Funds	4,498	6,608	6,518	5,796	5,330	3,466	2,137	329	-	1,443				
<b>Capital Employed</b>	<b>8,589</b>	<b>10,859</b>	<b>9,969</b>	<b>9,347</b>	<b>9,101</b>	<b>7,807</b>	<b>8,923</b>	<b>8,686</b>	<b>8,698</b>	<b>9,505</b>				
Deferred Tax Liability / (Asset)	81	48	345	385	376	373	(434)	(171)	127	2				
<b>Total</b>	<b>8,670</b>	<b>10,907</b>	<b>10,314</b>	<b>9,732</b>	<b>9,477</b>	<b>8,180</b>	<b>8,489</b>	<b>8,515</b>	<b>8,825</b>	<b>9,507</b>				
<b>Net Fixed Assets</b>	<b>1,685</b>	<b>4,929</b>	<b>4,651</b>	<b>4,489</b>	<b>4,073</b>	<b>3,843</b>	<b>3,215</b>	<b>2,798</b>	<b>3,068</b>	<b>2,669</b>				
<b>Investments</b>	<b>2,551</b>	<b>811</b>	<b>214</b>	<b>134</b>	<b>134</b>	<b>41</b>	<b>742</b>	<b>523</b>	<b>57</b>	<b>96</b>				
Current Assets	7,526	9,445	9,261	8,735	10,025	11,844	33,951	100,113	13,347	15,065				
Current Liability & Provision	3,091	4,278	3,812	3,626	4,755	7,548	29,419	94,919	7,647	8,323				
<b>Net Current Assets</b>	<b>4,434</b>	<b>5,167</b>	<b>5,449</b>	<b>5,109</b>	<b>5,270</b>	<b>4,296</b>	<b>4,532</b>	<b>5,194</b>	<b>5,700</b>	<b>6,742</b>				
<b>Total</b>	<b>8,670</b>	<b>10,907</b>	<b>10,314</b>	<b>9,732</b>	<b>9,477</b>	<b>8,180</b>	<b>8,489</b>	<b>8,515</b>	<b>8,825</b>	<b>9,507</b>				
<b>RATIOS</b>														
EPS (Rs)	0.9	0.8	(4.5)	0.2	1.3	2.2	3.4	8.7	4.0	0.2				
Dividend (%)	-	-	-	-	-	-	5%	15%	15%	15%*				
Book Value per Share (Rs)	23	24	19	20	21	23	36	45	47	43				
Return on Capital Employed (ROCE %)	8.0%	7.4%	4.6%	8.7%	11.1%	14.3%	12.9%	29.8%	16.8%	2.5%				
Return on networth (RONW %)	3.8%	3.3%	-23.2%	1.13%	6.07%	9.93%	9.33%	19.43%	8.55%	0.48%				
Fixed Asset Turnover Ratio	9.5	6.6	4.9	5.4	6.3	15.0	71.5	136.7	94.0	9.0				
Working Capital Turnover Ratio	3.3	4.5	4.4	4.7	5.2	12.4	57.2	84.5	50.6	4.2				
Debt Equity Ratio	1.1	1.6	1.9	1.6	1.4	0.8	0.3	0.0	-	0.2				
EBITDA as % of Sales	6.0%	6.0%	4.6%	5.6%	6.3%	3.3%	0.7%	0.7%	0.7%	4.9%				
EBIT as % of Sales	3.8%	3.7%	2.0%	3.3%	3.7%	1.9%	0.5%	0.6%	0.5%	0.9%				
Net profit as % of Total Income	0.8%	0.6%	-3.4%	0.2%	0.8%	0.7%	0.3%	0.4%	0.3%	0.2%				
R&D (Revenue and Capital) Expenditure as a % of Total Income	0.7%	0.5%	0.4%	0.4%	0.4%	0.0%								
R&D (Revenue and Capital) Expenditure	137	117	102	94	113	-								

\* The Board of Directors had declared interim dividend of ₹ 1.50 per Equity Share of face value of ₹ 10/- each.

## Financial Highlights - Standalone - Ten Years at a glance - Segment Wise

Particulars		₹ in Lakhs									
		PREVIOUS GAAP					IND AS				
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>1</b>	<b>Segment Revenue</b>										
a)	Products & Solutions										15,065
b)	Customer support service	18,361	22,036	23,775	24,962	27,103	29,557	30,225	22,359	22,335	8,298
c)	IT Products & Technical Services										2,509
	Fulfillment & Distribution Services										
	<b>Net Sales / Income from operations</b>	<b>18,361</b>	<b>22,036</b>	<b>23,775</b>	<b>24,962</b>	<b>27,103</b>	<b>59,503</b>	<b>252,316</b>	<b>410,890</b>	<b>275,684</b>	<b>25,872</b>
<b>2</b>	<b>Segment Results (Profit before tax and interest from each segment)</b>										
a)	Products & Solutions										1,005
b)	Customer support service	686	799	461	872	985	810	(116)	737	983	(1,337)
c)	IT Products & Technical Services										33
	Fulfillment & Distribution Services										(299)
	<b>Total</b>	<b>686</b>	<b>799</b>	<b>461</b>	<b>872</b>	<b>985</b>	<b>904</b>	<b>847</b>	<b>1,998</b>	<b>1,603</b>	<b>(299)</b>
	Less: i) Finance cost	623	659	965	743	692	573	281	142	41	236
	Add : Other Income							307	220	218	533
	<b>Profit before tax from ordinary activities before tax and exceptional items</b>	<b>64</b>	<b>141</b>	<b>(504)</b>	<b>129</b>	<b>293</b>	<b>331</b>	<b>873</b>	<b>2,076</b>	<b>1,780</b>	<b>(2)</b>
	Add: Exceptional items				(63)	-	189	-	369	(358)	
	<b>Profit from ordinary activities before tax and after exceptional items</b>	<b>64</b>	<b>141</b>	<b>(504)</b>	<b>66</b>	<b>293</b>	<b>520</b>	<b>873</b>	<b>2,445</b>	<b>1,422</b>	<b>(2)</b>
	Add: Extraordinary items				-	24	23	-			
	<b>Profit before tax after extraordinary items</b>	<b>64</b>	<b>141</b>	<b>(504)</b>	<b>66</b>	<b>317</b>	<b>543</b>	<b>873</b>	<b>2,445</b>	<b>1,422</b>	<b>(2)</b>
<b>3</b>	<b>Capital Employed</b>										
	<b>(Segment Assets - Segment Liabilities)</b>										
a)	Products & Solutions										3,903
b)	Customer support service	8,589	10,859	9,969	9,347	9,101	9,235	7,825	6,345	7,194	3,695
c)	IT Products & Technical Services										142
	Fulfillment & Distribution Services										322
	Unallocated										
	<b>Total</b>	<b>8,589</b>	<b>10,859</b>	<b>9,969</b>	<b>9,347</b>	<b>9,101</b>	<b>7,807</b>	<b>6,786</b>	<b>8,357</b>	<b>8,698</b>	<b>8,062</b>
<b>4</b>	<b>RATIOS</b>										
	<b>EBIT as % of Sales</b>										
a)	Products & Solutions										6.7%
b)	Customer support service	3.7%	3.6%	1.9%	3.5%	3.6%	2.7%	-0.4%	3.3%	4.4%	-16.1%
c)	IT Products & Technical Services										1.3%
	Fulfillment & Distribution Services										0.2%
	<b>Total EBIT as % of Sales</b>	<b>3.7%</b>	<b>3.6%</b>	<b>1.9%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>1.5%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>-1.2%</b>

ROCE is Profit before Interest and Tax divided by Capital Employed : RONW is Profit after Tax divided by Networth. Movements in Reserves and Surplus represents changes in PAT net of dividend and dividend tax, movement in cost of ESOP and Investment Allowance. Fixed Assets Turnover Ratio is Sales divided by Average Net Fixed Assets as at the end of the year. Working Capital Turnover Ratio is Sales divided by Average Net Current Assets as at the end of the year.

The financial results for the year 2011-12 include the effects of "Customer Support Service" business acquired from TVS-E Servicetec Limited, Chennai effective from 1st October, 2011.

PBT is after exceptional item of expenditure for the FY 2013-14 - ₹ 63.45 Lakhs (Previous Year - NIL).

EBITDA for 2014-15 includes Extraordinary income of ₹ 24 lakhs arising out of sale of land.

The Revenue from Operations for 2015-16 includes income from Distribution Services of ₹ 29946 Lakhs and FY 2016-17 ₹ 232012 Lakhs.

EBITDA for 2015-16 includes Extraordinary income of ₹ 24 lakhs arising out of sale of land and exceptional income of ₹ 189 lakhs from sale of long term investments.

EBITDA for 2017-18 includes Exceptional item of ₹ 369 lakhs arising out of sale of land and other assets at aragadam.

The financial statements for 2017-18 have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015.

Up to the year ended March 31, 2017, the company prepared its financial statements in accordance with the requirements of previous GAAP.

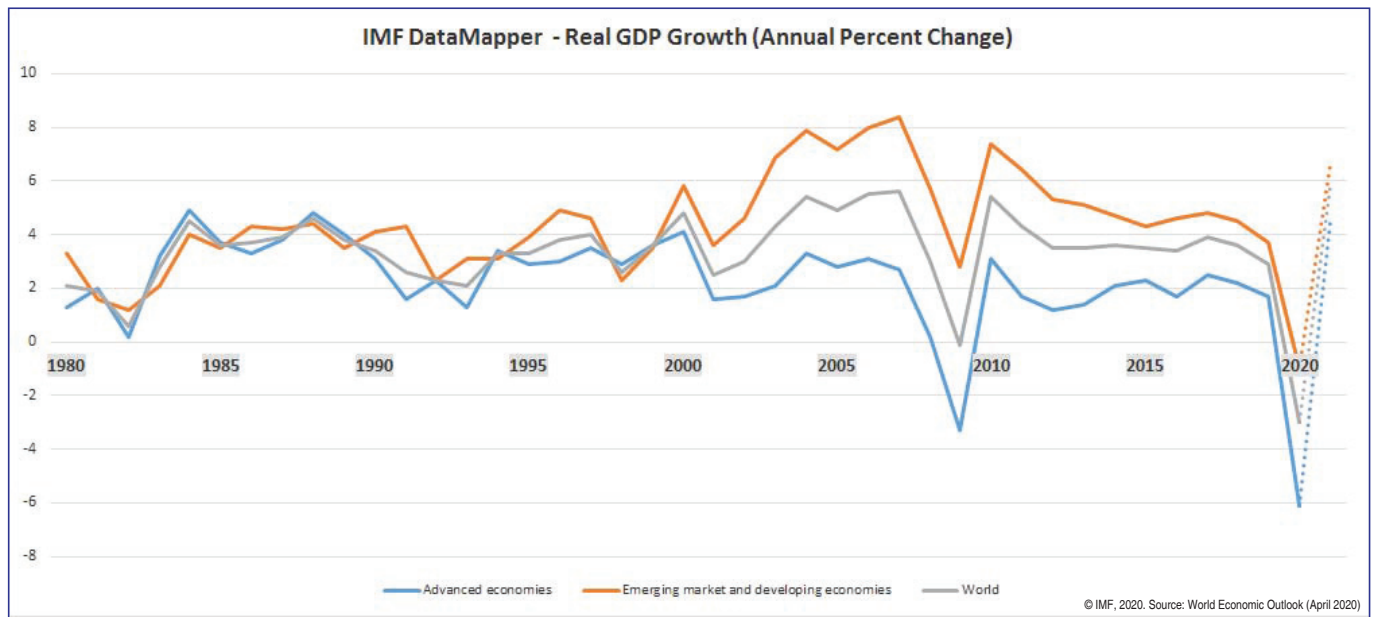
The date of transition to Ind AS is April 1, 2016 and hence the previous year financials have been restated as per Ind AS to make it comparable.

The financial results have been regrouped/reclassified wherever necessary as per the requirements.



# Management Discussion and Analysis

## Global & Indian Economy Outlook



The World Economic Situation has changed dramatically due to the outbreak of COVID-19. A rare disaster, the coronavirus pandemic, has resulted tragically in a large number of human lives being lost. As countries implement necessary quarantines and social distancing practices to contain the pandemic, the world has been put in a Great Lockdown. Many countries are facing multiple crises including health, financial and a collapse in commodity prices, which interact in complex ways.

There is extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions and repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes, confidence effects, and volatile commodity prices.

According to International Monetary Fund (IMF) *Report, April 2020*, the global economy is projected to contract sharply by -3% in 2020. This is a downgrade of 6.3 percentage points from the IMF Report (January 2020), a major revision over a very short period. This makes the Great Lockdown the worst recession since the Great Depression, and far worse

## Management Discussion and Analysis (Contd.)

than the Global Financial Crisis of 2008. Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, the projected global growth in 2021 to rebound to 5.8 percent.

This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level it was projected for 2021, before the virus hit. The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars, greater than the economies of Japan and Germany, combined.

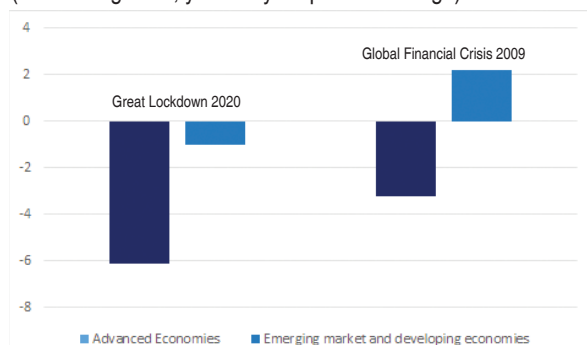
Countries reliant on tourism, travel, hospitality, and entertainment for their growth are experiencing particularly large disruptions. Emerging markets and developing economies face additional challenges with unprecedented reversals in capital flows as global risk appetite wanes, and currency pressures, while coping with weaker health systems, and more limited fiscal space to provide support. Moreover, several economies entered this crisis in a vulnerable state with sluggish growth and high debt levels.

For the first time since the Great Depression both advanced economies and emerging market and developing economies are in recession. For this year, growth in advanced economies is projected at -6.1 percent. Emerging market and developing economies with normal growth levels well above advanced economies are also projected to have negative growth rates of -1.0 percent in 2020, and -2.2 percent if China is excluded. Income per capita is projected to shrink for over 170 countries. Both advanced economies and emerging market and developing economies are expected to partially recover in 2021.

Among emerging market and developing economies, all countries face a health crisis, severe external demand shock, dramatic tightening in global financial conditions, and a plunge in commodity prices, which will have a severe impact on economic activity in commodity exporters. Emerging Asia is projected to be the only region with a positive growth rate of 1% in 2020. In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8% year over year. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the economy is projected to grow at a subdued 1.2% in 2020. According to IMF, India's growth is seen recovering sharply from 1.9% to 7.4% in the next fiscal year and China's growth is projected to grow from 1.2% to 9.2% in 2021.

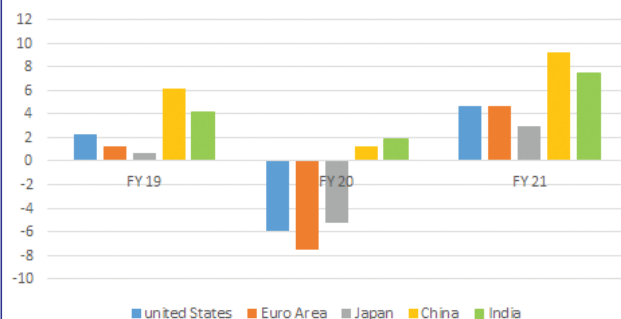
The recovery forecast for 2021 depends critically on the pandemic being brought under control in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. The Government of India is taking various initiatives to boost the Indian economy by way of announcing a number of relaxations and providing various relief funds including the COVID-19 relief package of ₹ 20 Lakh Crores.

**Global crisis**  
Both advanced economies and emerging market and developing economies are in recession. Major economies have also been significantly downgraded.  
(real GDP growth, year-on-year percent change)



Source: IMF: The great lockdown: World Economic Downturn Since the great depression.

Real GDP Growth, YOY Percent Change



Source: IMF: The great lockdown: World Economic Downturn Since the great depression.



## Management Discussion and Analysis (Contd.)

### Industry Overview

#### IT & ITeS

India has become the digital capabilities hub of the world with around 75 percent of global digital talent present in the country and with a low-cost advantage by being 5-6 times inexpensive than the US. The IT & ITeS industry has always been a key part of India's economy.

The Indian IT industry which was expected to grow at 7.7 percent in FY 2020 will now witness flattish to muted growth in FY 2020 owing to the coronavirus outbreak. As per the report of ICRA, the IT industry is expected to grow at 3-5% as against 6-8% in FY 2020. With the slowdown in growth during the first half of 2020-21, the margins are expected to decline from 22.4% in FY 2019 to 20.08% in FY 2021. The growth of the IT industry will remain at 6-8% over the FY2021-FY 2024.

According to IBEF Report (March 2020), the market size of IT services during FY 2019 is around US\$ 92.49 which is a 51% share of total Indian IT sector revenues in FY 19. BFSI continues to be the major vertical of the IT sector. The market size of Business Process Management (BPM), Software products and engineering services (SPES) and Hardware during FY 2019 is US\$ 36.2, 34.39 and 14.48 billion respectively.

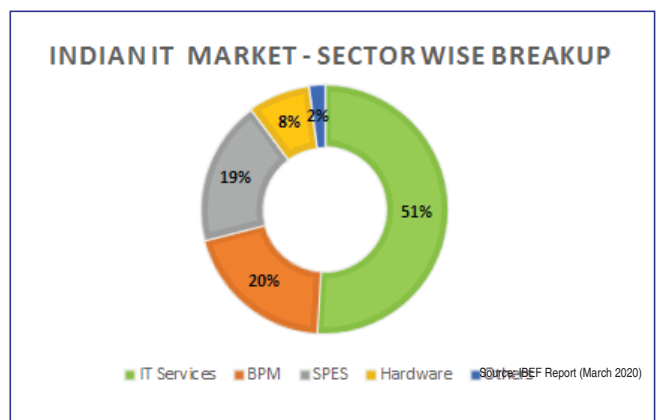
New geographies, customer segments and new verticals provide huge opportunities for IT and ITeS industry. BIRC nations, continental Europe, Canada and Japan have IT spending of approximately US\$ 380-420 billion.

Adoption of technology and outsourcing is expected to make Asia the 2<sup>nd</sup> largest IT market. Small and Medium businesses have IT spend of approximately US\$ 230-250 billion, but contribute just 25 percent to India's IT revenue. The emergence of new service offerings and business models would aid in tapping market profitably and efficiently. Government, healthcare, media and utilities together have IT spend of approximately US\$ 190 billion, but account just 8 percent of India's IT revenue. Emerging verticals like retail, healthcare, utilities are driving growth and are expected to increase the IT spending.

However, due to the dramatic change in the global economy, it is expected that there will be cuts in IT spending budgets. As per the reports of ICRA, it is expected that there will be consolidation in the industry especially among small and mid-size players. Indian IT companies with their stellar track record will be one of the major beneficiaries of any such consolidation initiatives.

#### IT Peripherals

The computer peripherals industry is riding high on the back of the ever-widening IT base in India. A sector that thrives on inventions, the peripherals industry has witnessed stable demand as customers crave newer and better products with each anticipated launch. Input, Output and Input/output (I/O) devices make up the computer peripherals market. Input devices include keyboards, mouse, scanners, microphones, barcode readers, digital cameras etc. whereas output devices comprise printers (impact and non-impact), plotters and monitors, terminals, projectors, speakers and auxiliary memory devices such as disk drives etc.



## Management Discussion and Analysis (Contd.)

While several industries reel under the COVID-19 lockdown impact in India, PC and laptops have seen a massive surge in bulk buying from corporates and enterprises to keep their workforce stay home, safe and connected. Millions of Indians across the spectrum began working from home from early March as part of COVID-19 containment measures.

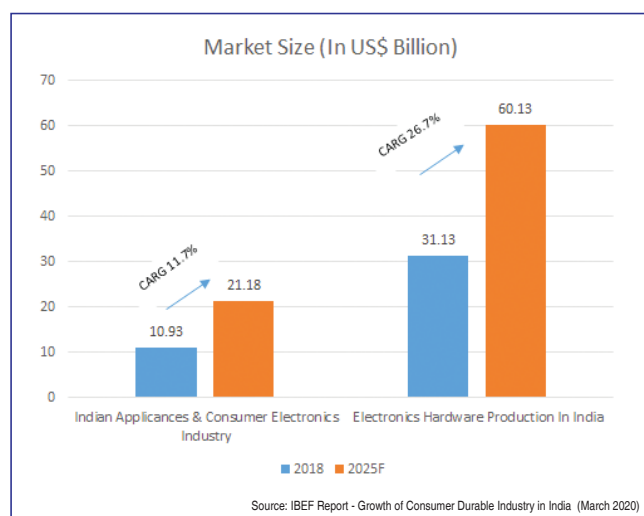
The computer peripherals market growth is driven by initial cost, recurring cost, brand names, warranty as well as innovation in product design. Another important demand driver is the number of functions, which a product may be able to perform. Most of the demand comes from sectors such as banking and finance, insurance, telecom, education, manufacturing and retail. The demand has also increased with the number of international companies opening offices in India, across all sectors.

With rapid new innovations, the rate of obsolescence in this industry is high. This has proved to be advantageous as it keeps the demand stable. However, it also affects the demand as customers are always anticipating better products.

For India, China is the biggest trading partner. As per the Financial Express report (May 10 2020), in 2019, India imported products valued at US\$ 480 billion from around the world, in which products valued at US\$ 68.16 Billion were imported from China. Due to the outbreak of COVID-19, there is a global supply chain disruptions and demand shocks. The industry is expected to recover partially in the second half of FY2020-21.

### Consumer Electronics

The consumer electronics segment is one of the fastest growing industry segment in India. According to IBEF report, the market size of Indian appliance and consumer electronics (ACE) market has reached ₹76,400 crore (US\$ 10.93 billion) in 2019 and is expected to double to ₹1.48 lakh crore (US\$ 21.18 billion) by 2025. Electronics hardware production in the country reached ₹38,800 crore (US\$ 5.55 billion) in FY18, growing at a CAGR of 26.7 percent between FY14-18. Demand for electronics hardware in India is expected to reach US\$ 400 billion by FY24 and also the Draft National Policy (DNP) targets production of one billion mobile handsets by 2025. The e-commerce has contributed immensely to increase the sale of consumer electronics including smartphone, television, air-conditioner and washing machine. The sales on e-commerce platform has gone up in 2019 from the previous year, which marketers attributed to a continued shift of consumption habits and a plethora of price aggressive online launches.



However, due to the outbreak of COVID-19, this industry is facing heavy headwinds across the globe. Retail shops and showrooms of major brands, super markets, and hypermarkets have been shut down for an indefinite period of time affecting sales of various consumer electronics products. Even home delivery of consumer electronics ordered through e-commerce platform was restricted. The outbreak of COVID-19 also disrupted the global supply chain of the major consumer electronic brands. China is not only the largest consumer and producer of various consumer electronics products but also caters to a wide range of countries by exporting several input supplies that are essentially used to produce finished goods. Shut down of the production in China has forced other consumer electronics makers based in the US and Europe to temporarily hold the production of finished goods. This is leading to an increase in the supply and demand gap.