

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors presents before you the Company's Management Discussion and Analysis Report for the year ended on 31.03.2015

The management of the company is presenting herein the overview, opportunities and threats, initiatives by the company and overall strategy of the company and its outlook for the future. This outlook is based on management's own assessment and it may vary due to future economic and other future developments in the country.

FORWARD LOOKING STATEMENT

Statement in this report, particularly those which relate to Management Discussion and Analysis, describing the company's future plans, objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may vary materially from those either expressed or implied.

REAL ESTATE & SERVICE SECTOR

INDUSTRY STRUCTURE & DEVELOPMENTS

The Indian real estate sector has come a long way and is today one of the fastest growing markets in the world. It comprises many sub-sectors – housing, retail, hospitality, farms, residential, and commercial. While housing contributes to five–six percent of India's gross domestic product (GDP), the remaining sub-sectors are also increasing at a fast pace. The total realty market in the country is expected to touch US\$ 180 billion by 2020.

Real estate in India is being recognized as an infrastructure service that is driving the economic growth engine of the country. Growing infrastructure requirement in diverse sectors such as tourism, education, healthcare, etc., are offering several investment opportunities for both domestic as well as foreign investors. Total investment by private equity (PE) funds in the real estate sector from January–March 2015 was approximately Rs 5,168 crore. This is a substantial increase of 85% per cent compared to the previous quarter. The role of the Government of India has been instrumental in the development of the sector. With the government trying to introduce developer and buyer friendly policies, the outlook for the real estate sector in 2014-20 does look promising.

OPPORTUNITIES

- ◆ Real estate contributes about 5 per cent to India's GDP. The market size of this sector is expected to increase at a compound annual growth rate (CAGR) of 11.2 per cent during FY 2008–2020.
- ◆ The Indian construction and real estate sector continues to be a favoured destination for global investors. Several large global investors, including a number of sovereign funds, have taken the first move by partnering with successful local investors and developers for investing in the Indian real estate market.
- ◆ The residential asset class looks to have great potential for growth with housing requirements growing across cities.
- ◆ Demand for space from sectors such as education and healthcare has opened up ample opportunities in the real estate sector. The country still needs to add three million hospital beds to meet the global average of three for every 1,000 people.
- ◆ Government of India focus on affordable homes for all by 2022, the creation of 100 Smart Cities and infrastructure development across India, the real estate industry has much to look forward to in 2015.

THREATS

- ◆ High inflation rate may increase the cost and company's profit margins may suffer.
- ◆ High interest rate may also prove to be adverse.
- ◆ Real estate industry is capital intensive sector which require high capital and in present scenario it is challenge in front of management to arrange for the funds requirement.
- ◆ Tough competition from the other existing players in the industry also poses a threat.

OUTLOOK

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a proper and adequate system of internal controls & audit commensurate with its size to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly. Proper controls and checks are exercised by the company by following the procedures prescribed in the various manuals. The Audit Committee of the Board will

SWAGTAM TRADING & SERVICES LIMITED

review Internal Control Systems of the company on periodical basis

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Your company recognizes the value of human resource, therefore, the human resource policies are being framed in such fashion that they not only aim at achieving the organizational goal but also recognize, appreciate and develop the individual interest of the employees. The Human Resource Development policies of the company are being so framed that it is in the best interest of the organization as well as employees of the company.

BULLIONS, COMMODITIES, GEMS & JEWELLERY, ETC.

INDUSTRY STRUCTURE AND DEVELOPMENTS

India has substantial reserves of gold, diamond, ruby and other gemstones. The gems and jewellery sector has been playing a very important role in the Indian economy and contributes about six–seven per cent to the country's gross domestic product (GDP), apart from large scale employment generations and foreign exchange earnings (FEE). The government of India has declared the sector as a focus area for export promotion based on its potential for growth and value addition. Sensing its immense potential, the Government of India has declared the sector as a thrust area for export promotion. In FY 2014–15, the Indian gems and jewellery sector contributed US\$ 34,746.90 million to India's FEE. The primary segments of the sector in India are gold jewellery and diamonds & gems. India is the world's largest consumer of gold, accounting for over 20 per cent of the global gold consumption. The country is also the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies. India exports 95 per cent of the world's diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). The industry is projected to generate up to US\$ 35 billion of revenue from exports.

OPPORTUNITIES

- ♦ The country is slowly starting to move towards branded jewellery and consumers are progressively accommodating modern retail formats.
- ♦ Gold jewellery exports from India increased for a second straight month in March 2015 as raw material supply improved following the Reserve Bank of India's ruling to allow more banks to import bullion/precious metals.
- ♦ India has the high skilled low cost Labour.
- ♦ The Indian cut diamonds and designed jewellery are in demand in the international market.

THREATS

- ♦ Gold import is subject to custom duty which fluctuates & can affect the business severely.
- ♦ Gold prices are also not stable that poses threat to the profit margin consequently.
- ♦ Tough competition from the other players may compel Company to offer competitive price and ultimately affect our profit margin.

OUTLOOK

Overall business situation appears to be positive. Company has to concentrate on Project Development; in order to gain some ground in mass market segment. Assuming the inflation is brought under control and input prices remain at reasonable level, the domestic market is expected to continue to deliver a modest top line growth. With the continued effort on Retail upgradation and contemporary experience, the footfall and Brand image at the Retail level would be improved.

RISK & CONCERN

Aggressive competition by new players, who wish to enter the category pose a risk of the Company losing its market share. The Company will focus on cost & every saving materials, contemporary designs, better value proposition in the product basket through continuous innovation and on cost management to mitigate the risks.

By Order of Board of Directors
Swagtam Trading & Services Limited

Date : 31.07.2015
Place : New Delhi

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