

# SPACE INCUBATRICES TECHNOLOGIES LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

Annexure-'D'

Pursuant to the Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Directors have pleasure in presenting the Management and Analysis Report for the year ended on March, 31<sup>st</sup> 2021.

### An Overview Indian Textile Industry

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 15% of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

### Market Size

The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 223 billion by 2021. New Government Policies aimed at this market were meant to create more jobs, requiring nearly 17 million in its workforce additionally by 2022.

Due to the impact of Covid-19, India's Textile & Apparel exports are expected to fall around 15% to reach US\$ 28.4 billion in 2020-21. India's exports of Textile & Apparel are expected to grow to US\$ 65 billion by 2025-26, growing at a CAGR of 11%. Manmade garments remain the largest contributor to total textile and apparel exports from India.

### Investment

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 3.44 billion during April 2000 to March 2021.

Some of the major investments in the Indian textiles industry are as follows:

The Government of India announced a Special Package to boost exports by US\$ 31 billion, create one crore job opportunities and attract investments worth Rs 800.00 billion (US\$ 11.93 billion) during 2018-2020.

Under Union Budget 2020-21, a National Technical Textiles Mission is proposed for a period from 2020-21 to 2023-24 at an estimated outlay of Rs 1,480 crore (US\$ 211.76 million).

### Government Initiatives

Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the sector under the automatic route.

Initiatives taken by Government of India are:

- In April 2021, Union Minister, Ms. Smriti Irani has assured strong support from the Textile Ministry to reduce industry's dependence on imported machine tools by partnering with engineering organisations for machinery production. She also stated that the PLI scheme for the textile industry is almost ready. The scheme aims to develop Man Made Fiber (MMF) apparel and technical textiles industry by providing incentive from 3-15% on stipulated incremental turnover for five years.
- In March 2021, The Ministry of Textiles favoured limited deal for the India-UK free trade agreement that could boost the garments sector.
- In 2020-21, the UK is India's fourteenth largest trading partner, accounting for US\$ 8.7 billion in exports and US\$ 6.7 billion in imports.
- Under the proposed trade agreement, the Textile Ministry expects more market access for the Indian textiles and clothing sector in order to achieve its full potential.
- Defense Research and Development Organization (DRDO) is helping the Indian textile industry to produce yarns and eliminate dependence on import of Chinese and other foreign clothing for military uniforms. Indian defense sector has expressed support towards the Indian technical textile sector.
- The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of Textiles Industry-readymade garments and made-ups - from two per cent to four per cent.
- The Government of India has taken several measures including Amended Technology Up-gradation Fund Scheme (A-TUFS), estimated to create employment for 35 lakh people and enable investment worth Rs.95,000 Crore (US\$ 14.17 billion) by 2022.
- The Cabinet Committee on Economic Affairs (CCEA), Government of India approved a new skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of Rs 1,300 crore (US\$ 202.9 million) from 2017-18 to 2019-20. As of August 2019, 16 states signed pacts with the Ministry of Textiles to partner with it for skilling about four lakh workers under the scheme.

# SPACE INCUBATRICES TECHNOLOGIES LIMITED

Source: <https://www.ibef.org/industry/indian-textiles-and-apparel-industry-analysis-presentation>

## Achievements

Following are the achievements of the Government in the past four years:

In CY2020, Cotton Corporation of India made a record procurement of 151 lakh bales under MSP operations, which is 290% higher than 38.43 lakh bales procured during the corresponding period last year.

Under the Scheme for Integrated Textile Parks (SITP), 59 textile parks were sanctioned, out of which, 22 have been completed.

Exports of readymade garments (of all textiles) was worth US\$ 1.19 billion as of December 2020.

SAATHI: The Union Ministry of Textiles and Energy Efficiency Services Limited, launched a technology upgradation scheme called SAATHI (Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries) for reviving the power loom sector of India.

## Strengths

Availability of large varieties of fibre and has a fast growing synthetic fibre industry.

Low labour charges means that the manufacturing cost rarely spins out of control.

India has availability of abundant raw material which helps to control the costs and reduces the lead time.

India is one of the largest producers of cotton in the world and is also enjoys abundant supplies of polyester, silk, viscose, among others.

Industry has large and diversified segments that provide wide variety of products.

Indian textile industry is a self-reliant industry which has complete value chain from the procurement of raw materials to the production of finished goods.

The Company owns land at Muradnagar, District Ghaziabad, Uttar Pradesh, India, which is also sufficient to meet future expansion plans of the Company.

## Weakness

Lack of technological development affects productivity and other activities across the value chain.

The Indian industry falls short on the economies-of-scale front therefore unable to compete with nations like China.

Indian Textile Industry is highly Fragmented Industry.

Rigid & unfavorable labor Laws.

Lack of Trade Membership, which restrict to tap other potential market.

Lacking to generate Economies of Scale.

Use of outdated technology resulted in low productivity & production capacities as compared to China.

Comparatively high expenses like indirect taxes, power & interest.

## Opportunities

A number of initiatives have been announced to support the handloom and power loom industries.

A number of e-marketing platforms have been developed to simplify marketing issue.

Greater Investment and FDI opportunities are available.

Large, Potential Domestic and International Market.

Product development and Diversification to cater global needs.

Elimination of Quota Restriction leads to greater Market Development.

Market is gradually shifting towards Branded Readymade Garment.

## Threats

Low-cost players like Pakistan and Bangladesh may hinder India's exports prospects.

Geographical Disadvantages relating to Export & Import of goods. India's geographical distance from major global markets of US, Europe and Japan in contrast to its rival countries are comparatively nearer. This results in high shipping expenses and lengthy lead times.

Polyester manufacturers struggled to pass on high raw material costs due to sluggish demand.

Continuous Quality Improvement is need of the hour as there are different demand patterns all over the world.

Threat for Traditional Market for Power loom and Handloom Products and forcing them for product diversification.

To make balance between price and quality in order to compete with cheaper imports.

## Outlook

The Indian textile sector considers the Union Budget 2021-2022 to be growth oriented as it will enable the textile manufacturing sectors to grow at a faster rate.

With a view to support the "Make in India" initiative, the Central Government Launched ATUFS (Amended Technology Upgradation Fund Scheme) in place of the existing RRTUFS (Revised Restructure Technology Upgradation Fund Scheme), for technology upgradation of textile industry with one-time capital subsidy for eligible machinery.

## Financial & Operational Performance

**Risks and Concerns:** Your Company has established a strong risk management structure. Under this structure, the risks are identified across all business processes of the organization on continual basis. The Company endeavors to mitigate the risks on an ongoing basis by evaluating the progress of the projects being undertaken on a regular basis and close monitoring.

# SPACE INCUBATRICES TECHNOLOGIES LIMITED

---

- **Liquidity Risk:** The Company is into a highly capital intensive industry segment. Non availability of funds or increased cost of funding will result in pressurized margins.
- **Government Policy Risk:** There could be unfavorable regulatory measures in Government policies towards the textile industry and may impact the long term planning of the Company.
- The MAT (Minimum Alternate Tax): Regime if not taken out of the SEZ's might create difficulties in the sector as SEZs and the companies in the zones might not be able to reap the benefits as originally enshrined in the SEZ act. Same risk may get augmented if the SEZs are not allowed to sell in the Domestic Tariff Area in tandem with the Free Trade Agreements with some countries
- **Competition Risk:** The top management of the Company reviews the risk from time to time and as a measure of risk mitigation your Company has decided to focus only on the core competency area so as to ensure that it is constantly moving up the value chain.

## **FINANCIAL REVIEW**

During the period under review revenue of the Company decreased from Rs. 76.99 Lakh to Rs.66.65 Lakh i.e. a decreased of 13.43%. Further, the Net profit after Tax decreased to Rs 20.48 Lakh from Rs. 20.93 Lakh i.e. decreased around 2.15%. Since your Company has not started any operation during the year, comparison of Ratios is not being given.

**Human Resources:** Human Resource Management is one of the key functions of the Company. Your Company aims to create a working environment that attracts and retain the best people, enhance their capability and provide enough motivation to ensure highest level of productivity. The employees are encouraged to remain involved and contribute for the growth of the Company. The industrial relations during the year continued to be cordial and peaceful.

As on 31-03-2021 there were 06 permanent employees in the Company.

**Cautionary Statement:** The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to global economic conditions, the Government policies, etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future.

**By order of the Board  
For Space Incubatrices Technologies Limited**

**Date: 28<sup>th</sup> August, 2021  
Place: Muradnagar**

**Sd/-  
(Vinesh Mittal)  
Chairman  
Din: 00284896  
Residential Address  
Gali No.6, Shivpuri Near Niwari Road,  
Modinagar, Ghaziabad 201204**