

MANAGEMENT DISCUSSION & ANALYSIS OF OPERATIONS AND FINANCIAL CONDITIONS

1. Business Environment

India is the second fastest growing economy fuelled by a strong GDP growth and led by resounding performance of manufacturing and services sectors. The foreign exchange reserves have swelled to over US\$450 billion and are rising with every month. The performance on the overall export front is also creditable. The Indian Rupee has proved to be a strong reliable currency on account of improved FDI inflows and healthy foreign exchange reserves. The distinguishing feature of India's macro-economic performance has been the strong acceleration of growth with industry and services

Registering double-digit growth. Corporate sector performance continued to remain buoyant supported by favorable domestic and export demand conditions. During the year, the Indian capital market did well, in concert with global market. All these trends are an indicator that the Indian economy is finding an important place in the global context. The only concern is inflation crossing 6%, and ongoing covid-19 pandemic which the Government and the Reserve Bank of India are checking through various fiscal and monetary measures.

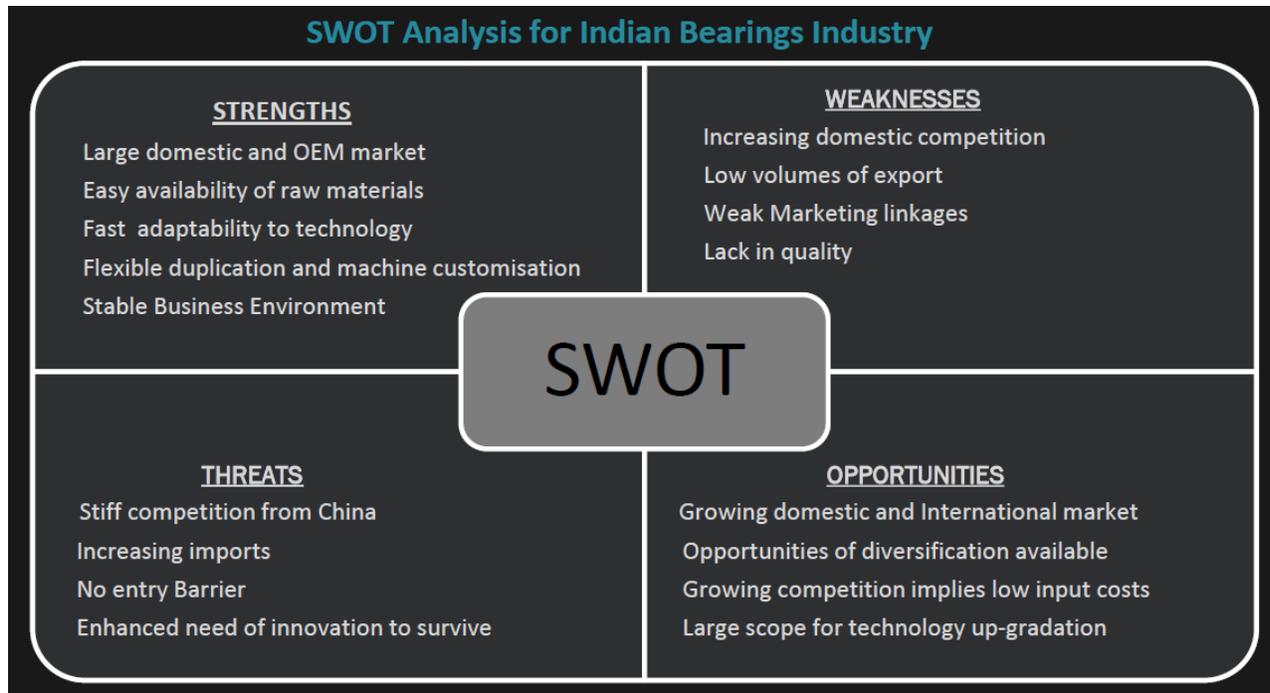
2. Industry Outlook Domestic / Global

The Indian Bearings Industry is well poised to achieve strong growth in coming years owing to rising domestic demand in the auto sector and in Industrial applications. Given the government of India's focus on the manufacturing sector, Indian Bearings Industry is expected to grow in the coming years. The government has already made clear its continuing focus on infrastructure from Power and Oil & Gas, Roads, Ports and Airports. As per the planning commission's estimates, the government has planned substantial investment in the 12th Five Year Plan aggregating USD 1TN. This infrastructure spending will lead to growth in the manufacturing sector, which in turn will have a positive impact on bearings industry. As per the Auto Components Manufacturers Association (ACMA), the Indian friction components industry is likely to grow to US\$ 110 billion by 2022 capturing the domestic market share of ~US\$ 80 billion. The share of the auto components industry in the country's GDP is likely to increase to 3.60% by 2022, up from 2.40% in FY12. Given decent extensive demand scenarios in the domestic market and with India evolving as a preferred low-cost sourcing destination, bearings manufacturers are likely to capitalize on the increasing production capacities and technological capabilities. Further, companies are likely to continue to diversify their product portfolio and de-risk their businesses. Though, competition is anticipated to increase and prices of raw material are likely to trail an upward movement. This is expected to exert pressure on the industry's profit margins. In such a scenario, cost control programs would assume greater significance for the industry players, both big and small.

Global bearings market is forecast to reach US\$ 83 billion by 2022, driven by the recovery in commercial and industrial machinery and equipment manufacturing

activity. The industrial heavy machinery sector constitutes the largest end use market, followed by the automotive sector, which accounts for close to about one-fourth of global sales of bearings. Future growth in the market will come from increased demand in the aerospace and allied sectors; Asia-pacific represents the largest and fastest growing market worldwide, led by China. The country over the last decade has emerged as the largest consumer and producer in the world.

3. SWOT



4. Outlook

a. Core 8 sector growth set stage for better future performance :- Eight core sectors which include coal, electricity, cement, steel, crude oil and petroleum refinery products identified by the government comprises ~37.9% of the IIP, hence enjoys a major say in the performance of the IIP and translates into deriving value for the bearings industry.

b. Growing IIP: a boon for the sector:-The bearings industry is extremely capital intensive and is largely dependent on varied industries. Bearings find extensive applications across power, railways, material handling equipment, defense, machine tools, mining, etc. Hence, it performs in conjunction with the performance of the Index of Industrial production.

c. Incremental demand from the railways to boost growth:-Indian railways too employ bearings extensively which are used in wheel axles, drive units, traction

motors, etc. We believe that such an incremental outlay would be a key carter for bearings prerequisites from the railway segment.

d. Automobile demand to boost growth :- With the increasing growth in demand on the back of rising income, expanding middle class and a young population base, in addition to a large pool of skilled manpower and growing technology, will propel India to be among the world's top five auto-producers. Going ahead, with the revival in the domestic market and higher export sales, the projections for bearings industry appear promising.

e. 'Make in India' campaign augurs well for the bearings sector :- The government's "Make in India" campaign to make India a manufacturing hub. As the "Make in India" plot grows, the road ahead for the automobile industry remains encouraging. The Make in India story will definitely be crusaded by the automobile and manufacturing sector as it accounts for over ~30% of the entire IIP in India thereby affecting the requirements for bearings.

5. Company's Financial Performance & Analysis

The operations of the Company re-started at the end of year 2018 almost after two decades. The company was slowly standing but again Covid-19 pandemic hit the operation of the company and company's operation remain closed for some time. The company has further re-started its operation and expecting the revenue from operation in the second quarter of financial year 2021-22. The company's existing low value stock will help company in its bottom line and cash flow.

Looking at the growth and demand in India bearings industry, your Company has taken up land, factory building and plant & Machinery of bearings on lease from its two associate units.

6. Internal Control Systems

Your Company has evolved a system of internal controls to ensure that the assets are safeguarded and transactions are authorised, recorded and correctly reported. The internal control system is supplemented by management reviews and independent periodical reviews by the outside chartered accountancy firms which evaluate the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness. The scope of internal audit covers a wide variety of operational methods and, as a minimum, ensures compliance with specified standards with regard to availability and suitability of policies and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The Reports of internal audit are placed before Audit Committee of the Directors. Audit Committee reviews such audit findings and the adequacy of internal control systems. The Statutory Auditors, Internal Auditors and the Cost Auditors of the Company also interact with the Audit Committee to share their findings and the status of corrective actions under implementation.

7. Human Resources

The Company lays great emphasis on proper management of human resources and believes that this is the most important ingredient for achieving excellence in performance and sustainable growth. The management constantly reviews the skill mix and takes appropriate steps to achieve desired skill mix. For upgrading the skill, special emphasis is laid on training. Selective and intensive training is being imparted to employees at various levels.

8. Cautionary Statement

Statements in this “Management’s Discussions and Analysis” describing the Company’s objectives, projections, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and abroad and other factors such as litigation, industrial relations and other unforeseen events.