

Management Discussion and Analysis Report

The Management Discussion & Analysis Report for the Financial Year ended 31st March, 2018 as required under Regulation 34 of the Securities & Exchange Board of India (Listing Obligations & Disclose Requirements) Regulations, 2015 read with Schedule V to the said Regulations, is presented below:

1. Industry Structure & Development

The three (3) operating divisions of the Company are Heavy Engineering, Gear Box & Geared Motor and Building Material Division. During the year under review, the market remained sluggish especially in the steel and mining sectors, which are major areas of business for the Heavy Engineering Division of the Company. It also needs to be mentioned that many of the steel plant projects, where the Company had actually received large orders, got stalled during the year primarily because of unfavourable global price of steel. This has also significantly affected the business of Heavy Engineering Division.

The performance of Geared Motor & Gear Box Division has improved appreciably during the year and it has also shown strong growth prospects for future.

The performance of Building Material Division was adversely affected during the year because of major slowdown in the construction industry and as such, the performance of this division did not reach the expected level.

2. Strength & Opportunities

Your Company is recognized as a technology leader – particularly for the products manufactured by Heavy Engineering Division and Geared Motor & Gear Box Division. The Company is consistently upgrading the technology for these products, to remain at par with global technology trend.

Your Board is pleased to report that after a few years of intensive efforts, the Company has been successful in breaking into the area of crushing, screening systems and manufactured sand systems. These products are being manufactured under license from Omni/Aden Brazil. The contracts which have already been executed for supply of this products, have received favourable market response.

The FlipFlop screening machine is another products which has been introduced in the market during the year under review, under collaboration with FLEXIMAT Ges.m.b.H, Austria. These screening machines continue to receive favourable response from the market.

3. Threats

The rapidly escalating price of raw material and weakening of the rupee against Euro and Dollar is sharply increasing the input cost. However, since many of the products manufactured by the Company are required for medium and long term purchase, the selling price cannot be revised adequately and this ultimately is narrowing down the gap between selling price and the cost of raw material input.

Aggressive market competition is a factor which is causing price pressure on all the Company's products. The Company is aware of these threats and to circumvent this unfavourable situation, the Company has taken necessary steps to increase the market infrastructure for all its products to reach a bigger spectrum of industry.

4. Risk & Concerns

A Risk Management Policy has been adopted by the company which needs to detail the objectives and principal of risk management along with an overview of the process and related roles and responsibilities. The Risk Management Committee has also identified the risks in various business areas and it also develops and monitor various mitigation strategies and plans in these areas to reduce and eliminate the likelihood of such risks.

The presence in India of players with low cost products has intensified the competition in the domestic market consequently shrinking the margin - is considered as an area of risk. To mitigate the risk involved, steps have been taken to go ahead of the competition with the company's strong brand image along with effective marketing framework for the company's engineering products.

Delay in achieving the desired level of business by the new business division of the company at Ajmer, Rajasthan for manufacture of Dry Mix Mortars and the resultant risk associated with the timely servicing of the term loan taken for part-financing of the capital expenditure for this division – has been identified as an area of risk and accordingly a strategy has been devised for targeting the infrastructure, urbanization and affordable housing programmes of Govt. of India, which are expected to have a positive impact on the performance of the said Building Material Division. A strategy has also been laid down for servicing of the aforesaid term loan. Following the same strategy, the aforesaid debts are being serviced regularly and punctually including, in some cases servicing of such debt, out of the maturity proceeds of the investments of the Company in Fixed Maturity Plans (FMPs) lying with various fund houses.

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5. Outlook

Steel, mining, sugar and various other capital goods industries where your company is active, has gradually started improving and your company expects the business in these segments to grow favourably in the coming years.

After few years of intensive efforts, your company has entered into the area of crushing and screening systems, where the products have been manufactured under the license from Omni/Aden Brazil and also being supported by Milestone Equipment (Pty) Ltd. of South Africa. The contracts which have been executed have received favourable market response and your company expects considerable amount of business from this segment.

The other new product introduced in the market is Flip Flop Screening machine manufactured in collaboration with FLEXIMAT Ges.m.b.H, Austria continues to receive favourable response from the market and expected to contribute in the company's business in the future years.

Although the Building Material Division did not perform as expected mainly due to major slowdown in construction industry, this industry has again started improving. Your company feels that more focused marketing and distribution network is necessary for high quality dry mix mortar/dry mix products of Building Material Division to have a greater reach to the market. Keeping this in view, your Company have initiated a complete restructuring process for the same.

The performance of Geared Motor & Gear Box Division has been exciting and this division is expected to grow between 20-25% on year on year basis. This is sensitive market in terms of delivery and quality with competition from major global players. Reliability of delivery and quality being the core demands of the market, the company has decided to make phased expansion of the manufacturing capacity to meet the growing demand of the market.

The Company has also reintroduced manufacture of rubber and polyurethane screen decks under license from Kuper, Germany in view of the quality and delivery issues of the domestic suppliers which is disturbing the company's commitment to its customers and also the performance of the equipment being supplied.

Rubber and Polyurethane products also have their strong market specially in mining and steel industry and the company expects substantial amount of business in future.

The Company expects significant contribution from all these products in the future years.

6. Internal Financial Control Systems & Their Adequacy

The Company has an established Internal Control system commensurate with its size, growth and its nature of operation. The Internal Control System has been designed to ensure orderly and efficient conduct of its business. The system also ensures that all assets are safeguarded. The accuracy and completeness of accounting records and timely preparation of reliable accounting and financial information. The system ensures that applicable statutes and policies – the Code of Conduct of the Company, the Vigil Mechanism (Whistle-Blower Policy), The Risk Management Plan, the Related Party Transactions Policy and other corporate policies are duly complied with.

The Internal Control Systems are routinely tested by the Management, Statutory Auditor and Internal Auditors who submit their reports on half yearly basis to the Management and the Audit Committee. The Audit Committee reviews the Reports of Internal Auditors and addresses significant issues raised by both the Internal Auditors and the Statutory Auditors. The Committee also follows up the implementation of the corrective actions suggested by the Auditors to ensure adequacy of the Internal Control System.

7. Financial Performance / Operational Performance

(₹ in lac)

Particulars	2017-2018	2016-2017*
Revenue from Operations	10764	10858
Operating Profit/(Loss) Before Tax	(360)	271
Exceptional Items	-	-
Operating Profit/(Loss) after Tax	(235)	214
Net Cash Flow from Operation	712	1106
Operating Profit/(Loss) to Sales (%)	(3)	2
Basic E.P.S. (Rs.)	(9.83)	8.94

* Previous Year's figures have been restated/rearranged due to introduction of INDAS.

The revenue from operations for the year under review has decreased marginally as compared to that of the

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previous year and the Company has incurred an operating Loss Before Tax of Rs.360 lac during the year under review as against a Profit Before Tax of Rs.214 lac in the previous year, mainly on account of high depreciation for the investment made in Building Material Division.

8. Segment-Wise Performance (Standalone)

Particulars	2017-18	2016-17
Segment Revenue (Sales & Other Operating Income)		
a) Mineral & Material Processing & Handling Equipment	6330	6619
b) Geared Motor and Gear Box	4260	4327
c) Building Material	341	109
Net Sales/Income & Inter-Divisional Transfers	10931	11055
Less : Inter-Segment Transfers	167	197
Net Sales/Income from Operations	10764	10858
Segment Results (Profit before Tax & Interest)		
a) Mineral & Material Processing & Handling Equipment	1946	1988
b) Geared Motor and Gear Box	146	33
c) Building Material	(540)	(555)
Total	1552	1466
Less : Finance Costs	397	402
Other Unallocable Expenditure, net of unallocable Income	1515	793
Total Profit/(Loss) before Tax	(360)	271

9. Human Resources/Industrial Relations

Your Company believes that continuous improvement in employee productivity can only be achieved by investing in its people. Keeping this in view, the Company has undertaken various Human Resources Development Programmes for employees at all its divisions/operational areas to provide opportunities to its employees to learn and develop themselves from this training, which ultimately would lead to development/optimization and efficient engagement of the Human Resources.

The number of personnel employed by the Company across all its units and offices was 477 as at 31st March, 2018. The Industrial Relation during the year remained largely cordial.

10. Cautionary Statement

Certain statements in this report relating to Company's objectives, outlooks, projections, expectations etc. may be "forward looking statements" within the meaning of the applicable laws and regulations. Although the Company believes that the expectations reflected in such "forward looking statements" are reasonable, the Company does not and cannot guarantee the accuracy of various assumptions underlying such expectations. Accordingly, actual results or performance could differ materially from such expectations, projections etc., whether expressed or modified, due to changes in global economy and business conditions, changes in political environment, changes in the Government regulations, tax laws, external economic condition affecting demand and supply, price conditions in the market in which the Company operates, natural phenomena such as flood and earthquake, customers' strategies etc. over which the Company does not have any control. The Company does not assume any responsibility/obligation in respect of such forward-looking statement which may undergo changes in future on the basis of subsequent developments or events.

For & on behalf of the Board

Place: Kolkata
Date: 23rd May, 2018

Sanjay Bagaria
Chairman