

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The global economy witnessed a sluggish 2019, registering a growth of 2.9%. A sharp contraction in growth by 3% for 2020 is also estimated (Source: International Monetary Fund). Economic activities were principally upended by the general slowdown, rising trade disputes, intensifying geopolitical tensions, and the unprecedented Covid-19 pandemic. The global economy, even against the confluence of risks, is expected to grow by 5.8% in 2021. The economic activities are anticipated to normalize gradually. Appropriate support by various policies and the containment efforts are expected to steadily unwind whilst the pandemic fades slowly. (Source: International Monetary Fund World Economic Outlook, April 2020)

INDIAN ECONOMY

The Indian economy, backed by its partnerships and strong democracy, is one of the world's fastest-growing economies. As per a report released in April 2020, by the Global Rating Agency, Fitch, India's GDP growth rate is projected at 0.8% for 2020-21. It is further likely to rebound to 6.7% in 2021-22. The slowdown in the current year can be attributed to the Center-imposed lockdown, addressing the need of containment to limit the spread of Coronavirus. The relatively lower growth rate in the previous financial year can also be attributed to a credit squeeze, sluggish manufacturing growth, subdued consumption, and the global economic slowdown. Before the pandemic, even though the economic activities remained muted, survey indicators suggested improvement across both, manufacturing, and services sectors. Additionally, several monetary policies and reduced trade policy tensions assisted in improving the otherwise weakening financial conditions. The manufacturing Purchasing Managers Index (PMI) fell from 54.5 in February 2020 to 51.8 in March 2020. On the other hand, the Index of Industrial Production rose by 4.5% in February 2020 over the corresponding figure last year. However, it is expected to shrink in March, triggered by the Covid-19 crisis (Source: Bloomberg Quint dated April 09, 2020). It is indeed unfortunate that the first month of the current year, that began on a positive note, took a downward trend in March. However, the collapse in oil prices will aid in reducing the fiscal deficit, ease pressure on inflation, and interest rate, besides reviving the economic activities.

Measures taken by Government of India in 2019 – 20 like, RBI's repo-rate cut by 110 basis points since April 2019 to ease the credit flow in the economy and improve consumption growth, cut in the basic corporate tax rate to 22% from 30% for existing companies and to 15% from 25% for new manufacturing companies, announcement of INR 102 Lac Crore on infrastructure through the National Infra Pipeline (NIP) and many more such policy reforms, helped build some temporary positive sentiments to hold on the economy throughout the year. In the last quarter Indian Economy had started seeing some positive revivals where Industrial production in India jumped 2% in January 2020, following a revised 0.1% rise in December 2020, biggest annual gain in industrial output since August 2020.

But in January 2020 when CORONA Pandemic was at its infancy stage in few pockets outside India, few market analysts in their estimate had already started cutting down forecast for India's GDP growth for 2019-20 from 5.1 percent to 4.9 per cent, and from 5.9 per cent to 5.4 per cent for 2020-21. Slowly with the increasing outbreak of corona the entire world started grappling with the pandemic.

Indian bearing market is estimated at Rs. 95 billion and it constitutes less than 5% of global bearing demand. In terms of consumption, about 60% requirement is catered through domestic production while remaining is through imports.

Mainly Indian Industrial bearing market catered through domestically manufactured bearings except large size and special bearings. In terms of demand dynamics, OEMs constitute 60% of demand whereas rest is driven by aftermarket and exports.

Industrial segments constitute approximately 52% of domestic bearing demand which is largely driven by general machines/motors, electrical equipment (fans/appliances) as well as heavy industries. Increasing automation in manufacturing units, thrust by Government's 'Make in India' program, spending towards railways and metros will support growth of manufacturing and engineering sector, which augurs well for bearing industry. Usage of bearings is fairly diversified in industrial segments. Also, Indian bearing manufacturers derive sizeable share of their revenue from exports as well as aftermarket business which lends stability to the business as well as mitigates impact of cyclicity in any segment.

INDUSTRY STRUCTURE AND DEVELOPMENT

The global bearing market size is estimated to touch USD 186.1 billion by 2025, registering a CAGR of 9.1% during 2014-2025 (Source: Grand View Research, Inc., Report). The comprehensive usage of bearing and its subsequent use in all equipment makes it a significant element of the manufacturing eco system. It can be segregated into ball and roller bearing assemblies of various designs. The bearings' demand is mainly derived from two main user segments: automotive and industrial sectors. Primary sources i.e. Original Equipment Manufacturers (OEMs) constitute a larger share of the market demand. The secondary sources i.e. After-market make up for the rest. The automotive sector constitutes a larger market demand share. But even then, the industrial bearings market is far more widespread with a higher number of applications. The usage of bearings is fairly diversified in the automotive sector.

The Company is well-positioned to leverage opportunities. Firmly driven by its strategic focus on digitalization, world-class manufacturing, future workforce and developing cleantech, VISHAL is equipped to face the future with its strong resolute. This enables the Company to offer a comprehensive product portfolio to its customers, emphasizing high-quality standards and service aids, delivering value and sustainable growth.

AUTOMOTIVE SECTOR

The Indian automotive bearing market in 2019, was valued at INR 70 billion, and is estimated to reach INR 156.8 billion by 2024, registering a CAGR of ~18%, between 2020 and 2024 (Source: Business wire). The automobile sector was hithard in fiscal 2020. Sales declined across vehicle segments, owing to lower discretionary incomes and a general economic slowdown, followed by plant shut-downs due to the Covid-19 crisis. However, the Government's Make in India initiative is pushing the automotive component manufacturers. It is encouraging higher capital allocations towards developing additional manufacturing capabilities or by launching new products or consolidating through mergers and acquisitions. Besides, expanding middle-class population and increasing disposable income, and for logistical requirements owing to an infrastructural push, is expected to spruce up the demand across all the segments. There by positively influencing the automotive bearings market.

CORE VALUES

VISHAL has formed core values for the organization. We believe workplace values are the guiding principles to you about the way you work every employee of your company will be bringing into practice use these deeply held principles to choose between right and wrong ways of working, and also to take important decisions at work.

- Flexibility and Adaptability – We keep no boundaries, to meet our consumer needs.
- MD at Work / Task – Every employee is the owner of their task.

- No compromise on Quality – We deliver with zero defects.
- Loyalty & Transparency between all stakeholders – We commit loyalty.
- Customer First in all actions – We work on unmet needs of our customer.
- Fun at Work – We believe happy employees are the best employees.
- Grow with profits – We aim on achieving consistent profitable growth.
- Keep it Simple – Simplicity is what we believe in.
- **OFFERING A HARASSMENT-FREE WORKPLACE TO ALL**
Your Company aims to have a discrimination-free workplace. Guidance on a harassment-free workplace is adopted in Company's Code of Conduct and the Company's Human Resource, Sexual Harassment and Affirmative Action Policies.
- **SAFETY GOVERNANCE STRUCTURE**
The Management is responsible for training and supervising employees on safe procedures and health care, providing information on safety hazards and providing safety appliances.

Your Company has organized Safety Week at our Shapar plant & Head Office, wherein we provided fire safety training to our employees.
- **EQUAL OPPORTUNITY TO ALL**
VISHAL recognizes and values the differences in employee backgrounds and skills' and promotes equal access to employment and supply opportunities without discrimination. Any alleged violation of the equal opportunity policies is investigated and, if found valid, acted upon.

SEGMENTWISE PERFORMANCE

Your Company has a single reportable segment of Industrial Bearings as the primary business segment for the purposes of Accounting Standards-17. The assets and liabilities of the Company are all expended towards this business segment.

RISKS AND CONCERN:

The economic and business environment is fast evolving, and with the rapid transformation of technology and the impact of cultural changes, society and consumers are also transforming on multiple dimensions. Your Company is operating in an industry that faces price volatility in raw materials and is dependent on commodities that need to meet stringent quality standards.

OPPORTUNITIES

India is considered a lucrative destination because of its market size and a hub for exports, explaining Foreign Direct Investments (FDI) healthy growth recorded in the last five to six years. FDI elevated from USD 190 billion between financial years 2009-10 and 2013-14 to USD 284 billion during financial years 2013-14 and 2018-19 (Source: Union Budget 2020). Also, the Government's constant focus on the Make in India initiative, economic stimulus and policy support towards infrastructure, Power and Oil & Gas, Airports, Roads and Ports will present a plethora of opportunities for the key industries powering the economy.

The customers are offered a comprehensive and innovative product range in all the segments. The Company provides superior service and works endlessly as per their requirements. A strong

foundation and global parentage with a well-defined strategic direction, and the value of resilience embedded in the organizational culture augur well for the Company in the long run.

COMPLIANCE

The Company has a well-structured, documented, and demonstrable compliance framework. This helps the management monitor and report compliance risk and exposure. The Board periodically reviews compliance reports of all laws applicable to the Company. It also assesses steps taken by the Company to rectify instances of non-compliances. The Company has further invested in a system to monitor and ensure compliance with all the applicable laws.

Various cross-functional teams work together to ensure strict compliance. It enables the Company to keep up with the rapid pace of regulatory changes. The Company pro-actively analyzes the impact of imminent changes well in advance.

ENVIRONMENT, HEALTH AND SAFETY

Health and Safety of the employees is considered at priority and are maintain at the benchmarks set for standard Industrial practices.

Your Company provides trainings to employees on the Safety measures and has Zero tolerance towards negligence provoking hazards accidents. There are regular programmes conducted to literate employees at shop floor level and to have complete control on the systems.

There are mock fire drills conducted at head office and shop floor level so that employees are equipped to handle any kind of accidental situations. Proper safety management and Industrial hygiene processes are set, so that employees have safe work environment.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS

Since its inception, your Company has always viewed its employees as its greatest asset. Your Company endeavors to be an 'Employer of Choice' by fostering an environment of inspirational goal setting, continuous improvement, in addition to health and safety, and corporate responsibility.

We have conducted an internal employee satisfaction survey.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in process vigilant process to monitor the internal control. The management has devised its Internal Control Systems to safeguard its assets, controlling costs, efficiency in operations, compliance of statutes, and effective management of working Capital. These systems are designed keeping in mind the Business plans and overall growth of the company and its stakeholders.

CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations, or predictions may be "forward looking statements" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond its control. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, based on any subsequent developments, information, or events. Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their judgment in assessing the risks associated with the Company.