MANAGEMENT DISCUSSIONS AND ANALYSIS

The Management Discussion and Analysis Report for the year ended 31st March, 2019 as stipulated under Regulation 34 (2) (e) read with Schedule V of SEBI (LODR) Regulations 2015 have been included in consonance with the Code of Corporate Governance as approved by The Securities and Exchange Board of India (SEBI). Investors are cautioned that these discussions contain certain forward looking statements that involve risk and uncertainties including those risks which are inherent in the Company's growth and strategy. The company undertakes no obligation to publicly update or revise any of the opinions or forward looking statements expressed in this report consequent to new information or developments, events or otherwise.

The operational performance and future outlook of the business has been reviewed by the management based on current resources and future development of the Company.

ECONOMIC OVERVIEW OF FINANCE INDUSTRY:

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.

The country's financial services sector consists of the capital markets, insurance sector and non-banking financial companies (NBFCs). India's gross national savings (GDS) as a percentage of Gross Domestic Product (GDP) stood at 30.50 per cent in 2019. The total amount of Initial Public Offerings increased to Rs 84,357 Crore (US$ 13,089 million) by the end of FY18. IPO's reached to US$ 1.94 billion in FY19 (up to Feb 2019). Ultra High Net worth Individual (UHNWI) increased to 2,697 in 2018 and the population of UHNWI has grew by 118 per cent from 2013 to 2018.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets. In 2017,a new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country. India has scored a perfect 10 in protecting shareholders' rights on the back of reforms implemented by Securities and Exchange Board of India (SEBI).

The Reserve Bank of India (RBI) continued to keep an eye on the inflation and therefore did not lower the benchmark rates during the year. However, on account of the weak credit off take, banks continued to aggressively price their lending products, putting pressure on incremental spreads for the lenders. While the last quarter of the financial year under review witnessed some positive signs in terms of production, export growth and lower inflation, the rising Non Performing Assets (NPAs) levels and large scale financial scams in the banking sector dampened sentiments.
The rising NPA levels in the market reflected the distress in the MSME and self-employed segments. The combined impact of compressed spreads and rising NPA could hurt the profitability in the long run.

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The NBFC sector saw a largely stable outlook for major NBFC's. From the perspective of larger financial systems, scheduled commercial banks continued to be a dominant players accounting for nearly 47% of the bilateral exposure followed by Asset Management Companies managing mutual funds, NBFC's, Insurance Companies, Housing Finance Companies and all India Financial Institutions.

For several years, NBFCs have rapidly emerged as an important segment of the Indian Financial System. The sector is now being recognized as complementary to the banking sector due to the implementation of innovative marketing strategies, introduction of tailor made products, customer oriented services, attractive rates of return on deposits and simplified procedures. NBFCs in India have recorded marked growth in recent years. After their existence, they are useful and successful for the evolution of a vibrant, competitive and dynamic financial system in Indian money market. The success factors of their business has been by making the most of their ability to contain risk, adapt to changes and tap demand in markets that are likely to be avoided by the bigger players. Thus the need for uniform practices and level playing field for NBFCs in India is indispensable.

The NBFC sector has lent the highest to the industry sector (52.28%) followed by retail segment (22.08%) and services (17.96%). - It has been seen that within the industrial sector, it is the large industries which have received almost 50% of the credit disbursed to the industrial sector. The credit advanced to the large industries aggregates to Rs. 5.13 lakh crs. - Within the services sector, it is the real estate segment which receives Rs. 1.34 lakh crs of credit which is around 37.6% of the total credit disbursed to the services sector

NBFCs are today passing through a very crucial phase where RBI has issued a revised regulatory framework with the objective to harmonize it with banks and Financial Institutions and address regulatory gaps and arbitrage. While the regulations, specially, asset classification norms have been made more stringent so as to be at par with banks, what is now required is to equip NBFCs with tools like coverage under SARFAESI Act to recover their dues and income tax benefits on provisions made against NPAs. This shall then bring the desired parity with banks and other financial institutions. Fund raising has increasingly become difficult and challenging, specially, for the large number of small and medium sized NBFCs.

In this scenario, the Non-Banking Finance Companies (NBFC) sector has scripted a story that is remarkable. It speaks to the truly diverse and entrepreneurial spirit of India. From large infrastructure financing to small microfinance, the sector has innovated over time and found ways to address the debt requirements of every segment of the economy. To its credit, the industry has also responded positively to regulatory efforts to better understand risks and to address such risks through regulations. Over time, the sector has evolved from being fragmented and informally governed to being well regulated and in many instances, adopted best practices in technology, innovation and risk management as well as governance.

SUBSIDIARY COMPANY:

As there are no subsidiaries of the Company, Investment made in Subsidiaries is NIL.

SEGMENT-WISE PERFORMANCE:

The Company operates in single reported segment with main business of Finance and Share Trading activity.

OPPORTUNITIES AND THREATS:

Growth of the company's asset book, quality of assets and ability to raise funds depends significantly on economy. Unfavorable events in the Indian economy can affect consumer sentiments and in turn impact consumer decision to purchase financial products. Competition from a broad range of financial service providers, unstable political environment, changes in government policies/ regulatory framework could impact the company's operations.

There are several large and profitable opportunities for NBFCs and the sector plays an important role in the Indian financial system. The key is for the NBFC sector to grow in a prudential manner while focusing on financial innovation and in having in place, the adequate risk management systems and procedures before entering into risky areas. The regulator constantly endeavors to balance the multiple objectives of financial stability, consumer and depositor protection and regulatory arbitrage concerns.

RISKS AND CONCERNS:

As an NBFC, Banas is exposed to Credit, Liquidity and Interest Rate Risk. The Company takes risk management seriously and its procedures and policies in the area are well defined and considered appropriate for the assessment and management of individual risk categories. Sustained efforts to strengthen the Risk Framework have yielded consistently better outcomes for the company.

Company is well placed on the liquidity front and appropriate policies exist for underwriting credit risk. The Company endeavors to continuously learn and modifies its policies to manage the aforementioned risks.

The Audit Committee has been periodically reviewing the risk profile of the Company and evaluating the adherence by the branches / functions of the systems and processes in place for monitoring, evaluation, assessment and mitigation of risk through a systematic and effective audit programme. The observations of Audit Committee, if any, on the risk management are reported to the board.

INTERNAL CONTROL SYSTEM & ADEQUACY:

The company has adequate internal control system commensurate with its size and business. The company Complied with all applicable statutes, policies, procedures, listing requirements and management guidelines. It Adheres to applicable accounting standards and polices.

Banas has robust internal audit programme, where the internal auditors, an independent firm of chartered accountants, conduct a risk-based audit with a view to not only test adherence to laid down policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

HUMAN RESOURCE:

The Company has excellent combination of experienced and talented employees. The Company also undertakes on regular basis various training programmes to keep its employees updated on new technical developments and information which directly results in optimum capacity utilization and cost effectiveness. The Company's relation with its employees continues to be cordial. The Company always reciprocates commitment to its employees in order to motivate them to perform the best.

FULFILLMENT OF RBI NORMS AND STANDARDS:

The Company continues to fulfill all applicable norms and standards laid down by the Reserve Bank of India pertaining to prudential norms, income recognition, accounting standards, asset classification as applicable to NBFC's (ND) except few, explanation pertaining to which has been provided in Boards' report.

OUTLOOK:

The company is cautiously optimistic in its outlook for the year 2018-19. The outlook of the company for the year ahead is to diversify risk and stabilize its asset quality. The Corporate Finance Division will adopt a cautious approach and focus on customer relationships. This division will look to grow its supply chain, structured finance and leasing business.

CAUTIONARY STATEMENT:

Statements in foregoing paragraphs of this report describing the current industry structure, outlook, opportunities, etc., may be construed as "forward looking statements", based on certain assumptions of future events over which the Company exercises no control. Therefore, there can be no guarantee as to their accuracy. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be implied by these forward looking statements.