



MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and development:-

We are a Hydraulic engineering company and we bring out information in brief that is relevant to our current business interest and our strategy to grow in this segment.

Main mother Industry on whom we are mainly depended on are, heavy engineering works, Aeronautics, defense, Railways, Automobile, forging, Sheet metal. Apart from these there are many global companies expanding their manufacturing facilities. There is upward trend in the business year by year for past couple of years.

India is a growing country and every business house can grow in its own field provided of they add value to the investments of the buyers program. There is a business opportunity for all segments of business because country has not reached to the saturation point unlike European and American countries.

In Bemco, we have given major focus on Automotive and Rail Industry not only for business in home country but also in the neighboring countries. We have been successful in securing business as anticipated & much is expected in the years to come.

We believe we are better placed in this segment of industry and are well secured.

Opportunities and Threats:

Opportunities -

We have different product verticals catering to the above segments therefore there are ample of opportunities to explore the business prospects from different segments of Industry.

1. In the western countries, forging and foundry industry are reduced as a result Indian Industry is doing better in this segment with export business opportunities. We cater to this segment and we are recognized in this segment of business so much so that, we get substantial business from this segment.
2. Automobile: Every Indian vehicle manufacturer has Bemco machines and we are recognized in this segment of business. Apart from supplying conventional machines, we also supply customized machines to these companies.
3. Railways: Indian Railways is perhaps second largest in the globe and has many workshops spread across length and breath of the country. We supply Hydraulic wheel presses, spring testing machines and an Import Substitute equipment by name – Hydraulic Re-railing equipment which Railways buy in good numbers.
4. Aviation and Defense: Bemco has developed few import substitutes wherein the business is steady and secured although the size of business is not significant. But we value this business as it is a feather in our cap and add brand value to the company. We are being seen as one among the reputed and reliable within industry.

Threats:

1. We are a Hydraulic Engineering Industry who design and develop custom built, application specific Hydraulic machines from concept level to commissioning. Our responsibility ends after putting the machine into production and then we get paid. Time frame for returns on the investment is to the tune of 6 to 8 months for each machine. Our investment on the work in progress is for a longer period of time as a result we carry a huge inventory at a huge interest cost.
2. We need to retain our entire workforce in good and bad times because all are specialized brains trained for our business module. Unlike software industry, we cannot adopt hire and fire policy. We need to carry our work force at all times.
3. If government reduces import duty to promote imports, the domestic hydraulic industry would suffer competitiveness. This is highly unpredictable.
4. We largely depend on government orders. The decisions are normally taken after 180 days. Earnest money deposited is blocked for unknown period at a huge cost.
5. In case of disputes and arbitration, the decisions are delayed for unknown period of time and it is beyond our control. Our inventory gets blocked until dispute is resolved. Security deposits submitted as a surety remain with the government body for an extended period of time.
6. Bank interests are much higher when compared to the developed countries. Since realization on our investment is spread over 8 – 10 months, we lose major chunk of earnings in bank interest and government levies. At times, when dispute crop up, we end up paying interest and government levies and lose heavily.
7. We are better placed in selling large size machines because of our infrastructure and past track record than selling smaller capacity machines. It is often seen that, small entrepreneurs opens a new business account with our existing buyers with smaller machines and expand their business tentacles to secure larger business. We really need to strike balance in between although, business coming from smaller machines does not add much to the turnover. The only way to sustain in this segment is to make the machines more efficient than before and make it incomparable with other products technologically. There is a need for constant innovation, developments and meet expenses without anticipating quicker returns.
8. With the increased globalization, the buyer and the user are more knowledgeable than any single manufacturer. There is need to infuse latest technology and produce energy efficient intelligent machines. It is the time for change over to next generation technology to grow in this business. We need to either develop technology in-house or have technical collaboration with the experts of this field.
9. At times, private entrepreneurs do not take delivery after the machine is ready due many reasons not concerned to us. In this period, we would be carrying huge inventory of capital goods which otherwise cannot be sold to anyone else than the one who placed order.

Segment wise and Product wise performance:

We are doing well in each of the above segment namely railways and automobiles and therefore honored with repeat orders. We have experts of each and every field who are responsible to give their best. The business is growing by word of mouth from one industry to another. We conceive new engineering concepts, develop, produce, test, prove said capabilities of the machine and then sell the first machine. The first machine speaks by itself and sells many more.

Bemco is always dedicated to its work responsibilities and enjoys crossing new mile stones of success in its under takings. Every employee gives his best to his part of responsibility and it is in the culture of this organization thereby we convert every individual of the organization into an asset of the company. This is the secret behind our success.

Out look

We are confident and looking forward to a bright future and growth. We have planned for larger investments on the infrastructure development and induction of new technology.

Risk and Concerns:

In true sense, we have lesser risk factors in our business. We are into manufacture of custom built products and our investment begins only after securing the business and after contracts are supported with sufficient advance payment.



We are aiming for 50% of the business from Government sector wherein we get paid upon delivery and returns on our investment are well secured. We are successful in reaching to these bench marks.

As a result dead inventory is not created which would otherwise compel us for distress selling or depleting stocks. This is one of the key factor for our 60 years of presence in this field of business in all circumstances of situation of industry prevailing in the country.

Our business is hardly affected by product or the technology becoming obsolete overnight unlike electronic and automobile industry. This process is very slow and as a requirement of industry, we are already having European technology partner to keep pace with time and technology in the relevant field.

Concerns:

Our major concern is on the bank interest on capital goods, security deposits for a longer period of time for government contracts, late decisions of government mechanism and huge inventory costs while work in progress. There is much things expected from the government in this regard.

Performance Highlights:

The Gross revenue, during year under report has been achieved due to a buoyant trend in Indian industry.

- During past couple of years our Government has announced various policies for revival of the Indian Economy and the effect can be seen in the market place.
- However, at the end of first half of the FY 2017-18 the changes are taking place and we observe that certain factors have inspired the Revival of the Indian Economy.
- The major Policy and move of our Government towards the Indigenization in all the government sectors like, Defence, Aviation, Indian Railways etc. has given boost and courage of the Indian Entrepreneur to plan and implement new projects.
- Now we feel the revival is taking place and we are happy to share the following to the members of the Company:

ESTIMATES FOR THE FINANCIAL YEAR 2018-19:

Estimates for the current and following Financial year are based on the corrections taken place in the overall market and taking into account the inflow of new Orders and Enquiries.

Looking at the revival in economy your company has set the growth in sales turnover at the rate of 15%.

In addition to this, Bemco hydraulics ltd has contributed 65% in its subsidiary company Bemco Fluidtechnik LLP which is engaged in manufacturing of hydraulic pumps, valves, hydraulic motors, hydraulic equipment/power packs, and manifold blocks and many such items and have targeted for a turnover of Rs. 4 crores for the current financial year.

To sum up, the outlook for the next year looks bright.

Internal Controls and their adequacy:

Bemco has put in place adequate internal financial control with reference to the financial statement, some of which are outlined below:

The Company has adopted Indian Accounting Standard ("Ind AS") with effect from 1st April, 2017. Accordingly, the financial statement for the year ended 31st March, 2018 of the company and its subsidiary are prepared with comparative data, in compliance with Ind AS. Your Company has adopted accounting policies which are in line with the Accounting Standard prescribed in the Companies (Accounting Standards) Rules, 2006 that continues to apply under section 133 and other applicable provisions of the companies Act, 2013 read with rule 7 of the companies (Accounts) Rules, 2014. These are in accordance with generally accepted accounting principles in India. Changes in policies if any are approved in the audit committee in consultation with the auditors.

The policies to ensure uniform accounting treatment are prescribed to the subsidiaries of your company. The accounts of the subsidiary companies are audited and certified by their respective auditors for consolidation.

The company has proper and adequate system of internal audit and control which ensures that all the assets are safeguarded against loss from unauthorized use and that all transactions are authorized recorded and reported correctly.

The company continuously improves upon existing practices for each of its major functional areas with a view to strengthen the internal control system.

The Company has assigned internal audit function to a firm of Chartered accountant. Regular internal audit and checks are carried out to ensure that the responsibilities are discharged effectively. All major findings and suggestions arising out of internal audit are reported and reviewed by the Audit Committee. The management ensures implementation of these suggestions and reviews them periodically.

Human Resources:

Your company believes that human talent is its fundamental strength. The Company nurtures competencies and skills through learning and development programmes and recognizes talent, and rewards it through performance management system. During 2017-18, the focus from an organization development perspective was to implement strong processes and controls to continuously improve efficiencies and improve organization capabilities.

The process of realigning the organization along functional lines in various areas of business like business acquisition, business execution and technology adoption continued through 2015-16. On the operational side of business, management changes were undertaken to create more focus and greater accountability.

Your company has enjoyed cordial relations with its employees, worker and staff employees are paid in accordance with the wage agreement established with trade unions.

The Employee strength of the company as on 31st March, 2018 was 268.

For and on behalf of the Board of Directors.

Date -20th June, 2018
Place - BELGAUM

M. M. MOHTA
Chairman
DIN-00068884
2 Mohanam, 10th Cross,
Bhagya Nagar,
Belgaum, 590006, Karnataka.

ANIRUDH MOHTA
Managing Director
DIN-00065302
2 Mohanam, 10th Cross,
Bhagya Nagar,
Belgaum, 590006, Karnataka