

ANNEXURE “A”

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction:

Banco Products (India) Ltd. is a leading manufacturer and supplier of engine cooling modules and systems for automotive and industrial applications. We combine the power of innovation and commitment to quality to create high - performance solutions for our customers. With over five decades of successful experience, Banco is now India's leading brand in automotive and industrial sectors.

Our Products:

We design, develop and manufacture Engine Cooling Modules such as Radiators, Charged Air Coolers, Fuel Coolers, Oil Coolers and Condensers. We offer both Copper Brass coolers as well as the more contemporary Aluminum coolers .OEM customers increasingly prefer complete multi-cooler assemblies.

Applications

Engine Cooling Modules are considered very critical for efficient performance of Internal Combustion Engines with wide ranging applications such as Passenger Cars, Light Commercial Vehicles, Medium and Heavy Commercial Vehicle, Agricultural Tractors, High Performance Bikes, Harvesters, Construction Machineries, Power Generation Equipment, Traction Rail locomotives, and other similar equipment.

Our Markets:

OEM: We design, develop, and deliver efficient engine cooling modules for OEM customers. With successful record of accomplishment of accomplishments and long-term relationship with our Key Customers, we aim to become the most preferred development partners of our customers.

Aftermarket:

We meet growing service demand in the automotive aftermarket through our extensive network of dealers and distributors pan India.

Exports:

BANCO has developed a comprehensive service range of automotive and tractor engine cooling modules for European, US and other top vehicle applications. We collaborate with leading distribution houses to market our product program globally.

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Trends in user industries have large influence on your company's business.

Automotive industry:

The industry is rapidly changing, in terms of its size and technology. With effect from April 2020, the Indian automotive industry implemented new BS-VI emission norms. BANCO has developed its new “Smart Core” solutions, which help our customers meet BS-VI emission requirements successfully

Off highway sector:

The construction machinery and agriculture tractors of higher hp will undergo change to emission norms of BS-IV/ Trem IV from H2 2020-21. BANCO has been collaborating with its customers to develop BS-IV/ Trem-IV complaint engine cooling modules.

Power Generation:

The Indian Government is in discussion with the Industry to implement new CPCB norms. Here again BANCO has initiated joint development projects with our key customers to develop successful and contemporary solutions well ahead of the emission norms change deadline.

Demand development:

Demand development of your company's products is directly dependent on the development in the user industries.

Automotive:

Developments in Automotive industry, during the last year, have been less impressive compared to estimates. Commercial Vehicle sector was worst affected with sharp decline in production of trucks and buses. Passenger

Car and two wheeler segments- too - have not been able to maintain a growth trend. As it seems now, it is unlikely that automotive industry can regain its pre Covid 19 volumes back this year.

Overall, economic development and growing trend towards personal mobility are some of the factors that can lead to revival of this important sector. To some extent, policy support from Government in terms of a clear vehicle scrappage policy and measures to boost consumption can provide an impetus for growth of this sector during the medium and long term.

Agriculture:

The Indian Government has been supporting accelerated development of agriculture sector. This will lead to steady development of demand from this sector, though the sector is known for cyclic upturns and downturns.

Industrial:

Development of industrial sector is linked with the Government's priorities and investment in infrastructure development projects. Covid crisis has thrown new challenges for these sectors – such as delays and disruption in cash cycle, shortage of labor due to issues related to migrant labor, possibilities of less availability of Government funds for infrastructure due to current priorities for health and social sectors etc. Experts opine that it is unlikely that these sectors will regain their volumes in FY 2020- 2021. In the long term, though, development of Industrial sector is critical for overall economic and infra structural growth. That gives us hope that these sectors will rebound in 2021.

In summary, current trend suggests that volatility and uncertainties in demand across Automotive and Industrial sectors will continue in FY 2020 -21 and the demand rebound is likely in 2021. At Banco, we continue to watch economic and sectoral trends closely to adjust our strategic approach from time to time

Our Bespoke Engineering approach:

With innovation at the core of our strategy, we invest our resources to develop excellent R&D competence. Instead of overemphasizing on standardization, our engineers follow bespoke solution approach. With this approach, we co-create best in class - solutions which are efficient and deliver very reliable performance under challenging operating environment. Our engineers' competence to understand application environment "beyond" the drawings and specifications enables us to proactively respond to field challenges through design innovations. We believe that our competence in designing and delivering customized solutions will be a key differentiator in OEM markets.

Electric Vehicles:

The development of electrical vehicle in India is at nascent stage. In particular, two wheeler industry, passenger car industry and commuter bus industry has shown some progress towards the development of electric vehicles. It is our view that these developments will take long time before necessary ecosystem and infrastructure are available for commercial success of electric vehicles. BANCO's enjoys broad based customer portfolio. The sectors where we have our strengths such as agriculture tractors, construction machineries, and power generation etc. are likely to have only limited impact of EV trend.

At the same time, BANCO has initiated first basic steps towards the development of cooling solutions for electric powertrain.

OPERATIONS:

With our integrated manufacturing strategy, we have invested to develop full depth of production.

We believe that a good engineering solution requires High Quality manufacturing to realize the design goals in the field. That is why; we have been regularly investing in advanced manufacturing technologies that keep us abreast with the best in the world.

As a result our focus on customized solutions, and as a full range provider to the aftermarket, we build and expand a comprehensive product portfolio. This requires a balanced focus between high volume manufacturing and low volume range production in our operations. Our production lines are designed to have the necessary flexibility to deliver this balanced portfolio with good productivity.

Continuous skill upgrading of our work force is another approach that we use to successfully manage complexities in operations.

STRENGTHS:

Our strengths include:

- Over five decade of successful entrepreneurial experience
- Balance customer and product portfolio with presence in OEM, Aftermarket and Exports
- Competent research, design and test capabilities
- Innovative solutions for contemporary emissions norms.
- Integrated manufacturing approach
- Prudent financial management

Your company will continue to invest in R&D and advanced manufacturing technologies to further strengthen the above attributes.

WEAKNESS:

Some of the concerns or areas of relatively less strength include:

- Complexities resulting from large product range
- Low OEM presence in some of the sectors
- Downward trend in Industrial activity or Automotive Sector directly affects the company performance.
- Absence of adjacent product lines.

While it may not be possible to address all the weakness in short term, the company continues its efforts to broad base its customer –product portfolio and focuses on development of superior products to strengthen its market position. We have also initiated a drive to improve operational efficiency

OPPORTUNITIES:**New development projects:**

Growing Indian economy provides several growth opportunities. Growth in automotive industry is characterized by introduction of numerous new platforms. At the same time there is ever increasing demand for higher efficiency and tighter emission control .This provides opportunity for your company to collaborate with our customers and co create efficient engine cooling solutions that take care of future energy efficiency and emission trends.

New Market Sectors:

In addition to BANCO's focus, market sectors there are several other sectors, which may require cooling systems. BANCO will aim to explore and expand business opportunities in new market sectors.

Global OEM Projects:

Banco enjoys good business with several global automotive and industrial MNCs for their business in India. We plan to leverage our capabilities to grow international business with our MNC clients and have initiated some projects in this direction.

Product range extension:

With strong brand name, BANCO has opportunities to extend its product scope in Aftermarket.

Strengthening export business:

Customers globally are looking for efficient and cost effective alternate to their existing suppliers. BANCO will expand its initiatives in the overseas market to realize some of these opportunities.

THREATS:

Dynamic business environment of modern times throws several challenges from time to time. Threats include:

- Growing competition both from domestic and global players
- Preference of some customers towards MNC suppliers over Indian suppliers
- High dependence on imported raw material.
- Volatility in metal prices and fluctuations in Foreign Exchange
- Rising cost of utilities.
- Cyclic demand changes in some market sectors
- Technology disruption in customer's markets- for example- disproportionate expansion of Electric vehicles.

Your company focuses on continual expansion of its products and customer base, while systematically strengthening its quality, innovation and cost competence in order to mitigate the potential impact of some of the above threats.

TECHNOLOGY:

Banco regularly invests to upgrade its technology and processes in order to stay abreast of emerging trends.

We have developed solutions for contemporary emission norms for example- BS-VI for automotive, BS-IV / Trem IV for agriculture machineries/off highway equipment and new CPCB norms for Power Generation equipment.

Keeping with the current trend, we are re-engineering and re-energizing our processes for increased digitalization.

We are also investing in developing competence and capabilities of our people so that they can contribute effectively to the success of the organization while realizing their own full potential.

In general, Banco believes that developing economy like India will continue to offer opportunities for growth. At Banco, we continuously strive to strengthen our competitiveness and thus remain successful and sustainable. We have also implemented processes to identify and mitigate all kinds of risks.

Internal Control and its Adequacy:

The system of internal control designed to provide reasonable maintenance of proper accounting records and the reliability of operational and financial information complying with statutes, safeguarding assets from unauthorized use or losses executing transaction with proper authorization ensuring compliance of corporate policies used with a view to running business. The Company has clearly defined organization structure and lines of authority.

Sufficient control is exercised through monthly, quarterly and annual business review by the Management Review Committee and application of Corporate Governance. An internal audit system is in place. Normal foreseeable risks to the Company's assets are adequately covered by comprehensive insurance.

The Company has, during the year engaged the services of an independent Firm of Chartered Accountants for the services of Internal Audit of operations of the Company for better control and to ensure adequacy and efficacy of the Internal Audit function.

In line with well accepted practices and objectives, the planning and internal audits are oriented towards the review of operational controls in the management risk strengths and opportunities.

The Company has an Audit Committee, which reviews the Reports of Internal and External Auditors, making suggestions for improvements, follow up on the implementation of corrective actions and keeps informed the Board of its major observations from time to time.

Segment-Wise Performance

- a) The Company is only in one line of business- automobile components.
- b) The Segment Revenue in the Geographical Segment considered for disclosures are as follow:
 - Revenue with India includes sales to customers located within India
 - Revenue outside India includes sales to customers located outside India

Rs. Crores

Sales	2019-20	2018-19
Within India	437.00	557.00
Outside India	145.00	158.00

Information Technology:

The Company is successfully operating SAP (ERP) system with the use of advanced licensed software packages for product simulation, development and general engineering work.

Financials performance with respect to operational performance:

The detailed financial analysis of the Company's operations for the year is given in the Board's Report and therefore the same is not repeated. However, some important ratios on the Company's profitability are given below.

Particulars	2019-20	2018-19
Net Profit to Sales (PBT) (%)	17	24
Earnings Per Share (EPS) (Rs.)	10	17
Cash earnings per Share (Rs)	13	20
Return on Net worth (PAT) (%)	13	19
Dividend Payout Ratio (Including Dividend Tax) (%)	237	63
Retained Earnings (Rs. in crores)	379	500
Retained Earnings (%)	-179	37
Debtors Turnover	3.97	5.2
Inventory Turnover	5.60	5.6
Interest Coverage Ratio	347	145
Current Ratio	4.7	4.5
Debt Equity Ratio	0.004	0.004

Human Resources:

The industrial relations in all the units of the Company during the financial year 2019-20 were peaceful and harmonious.

Experienced and motivated employees have been the backbone of the Company. There were 596 peoples employed in the Company as on 31.03.2020.

Your Company puts special emphasis on team building and positive work culture. We train employees to understand and absorb the latest technological trends which in turn, prepare them to achieve higher efficiency levels in production, quality besides leading to higher customer satisfaction.

There is a systematic identification of training needs. Training and development inputs are provided to all employees – in the areas of skill development and behavioral improvement so that individual development keeps pace with organizational development.

Future Strategy / Outlook :

Your Company will continue to follow technology led strategy to realize profitable growth and thus create sustainable value for the organization. Collaboration with our customers on the basis of our proven 'bespoke engineering' approach will remain cornerstone of our future strategy. Besides strengthening our core markets, we will expand and broad base our customer market portfolio in Indian and International markets. We will continue to invest in advanced manufacturing and supply chain processes to retain our leadership position. Relentless drive to improve quality and productivity while cutting waste and cost defines our approach towards manufacturing excellence.

Qualified, trained and motivated employees drive successful strategies and towards this objective we also plan to step up our employee development initiative in the coming days

Cautionary Statement:

Certain statement made in this report, are forward looking statements and actual results may differ from such expectations or projections about the future, as several factors would make significant difference to the Company's operations such as economic conditions affecting demand and supply, government's regulations, level of competitions prevailing at the relevant time, etc. The Company assumes no responsibility publicly to amend, modify or revise any such statements on the basis of subsequent developments, information or events.

By the order of the Board,

Mehul K. Patel – Chairman
(DIN : 01772099)

Date : 17.07.2020

Place : Bil