



VISHAL BEARINGS LIMITED

29TH ANNUAL REPORT 2019-2020

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Dilipkumar Changela – Managing Director

Mr. Hiralal Changela – Whole time Director

Mr. Vrajlal Changela – Whole time Director

Mr. Rakesh Savani – Independent Director

Mr. Niteshkumar Patel – Independent Director

Ms. Amee Dadhania - Independent Director

(Appointed as on August 27, 2019)

Mrs. Urja Gami – Independent Director

(Resigned as on October 09, 2019)

Mr. Divyesh Changela – Chief Executive Officer

Mr. Vishal Changela – Chief Financial Officer

Mr. Ketan Savaliya – Company Secretary

REGISTERED OFFICE:

Survey No. 22/1, Plot No.1, Shapar Main Road,
Shapar (Veraval), Rajkot, Gujarat-360024, India

Tel: 2827-252273, Fax: 2827-253087

Email: legal@vishalbearings.com

Website: www.vishalbearings.com

COMPANY IDENTIFICATION NO.

CIN: L29130GJ1991PLC016005

STATUTORY AUDITOR

M/s. SVK & Associates

BANKER

Kotak Mahindra Bank

HDFC Bank

State Bank of India

PLANT - 1

Shapar Main Road,
Shapar (Veraval),
Rajkot-360024, Gujarat, India.

PLANT - 2

SIDC Main Road, Veraval (Shapar),
Rajkot-360024, Gujarat, India.

REGISTRAR AND SHARE TRANSFER

AGENT:

KFin Technologies Private Limited
Karvy Selenium Tower B, Plot 31-32,
Nr. Financial District,
Nanakramguda, Gachibowli,
Hyderabad - 500032, India.

SECRETARIAL AUDITOR

M/s. K. P. Ghelani & Associates

INTERNAL AUDITOR

M/s. P. Ghanshyam & Co.

CHAIRMAN MESSAGE

Dear stakeholders,

I am pleased to share with you an update on your Company's performance for 2019-2020. Despite the challenging economic conditions, we had a productive year, growth, and transformation initiatives, expanding and deepening our relationships, and deploying very impactful solutions.

The recent global COVID-19 pandemic that has spread across the world has affected business, industry, and many aspects of our lives. At Vishal, we have taken significant steps to help minimize the health risks of all our associates and business partners.

Vishal Bearings Limited's Board of Directors continues to play a pivotal role in providing timely advice and serving as a source of inspiration. The Board's involvement in encouraging, guiding and challenging the team in various activities is unparalleled. I want to take this opportunity to thank them for their time and wisdom. We remain confident in our strategic direction and we thank all our Shareholders for your trust and faith, which have helped drive our success over the years. I would also like to thank all our associates for their hard work, and Stakeholders for their ongoing support.

Your company is focused on customer growth metrics and has successfully added new OEMs and Distributors which contributed to the overall revenue. The current status of your company's new order book in the pipeline from both domestic and exports customers is vibrant and healthy.

Your company has been closely monitoring the status of the pandemic outbreak and its potential unforeseen adverse impact. Anticipating the further time-scope of the current restrictions implemented by the Government of India, to curb the outbreak of virus in the coming days, all our critical business functions and support facilities have geared up to adapt to this novel working environment to create a robust dynamic structure for business continuity with contingency plans into action.

Our top priority is the safety and well-being of our employees, who are vital to support our customers and the communities we operate in. Considering the potential risks of safety we have implemented a number of preventative and precautionary actions with immediate effect to ensure employee well-being and continued service of our customers.

While Our Company has grown leaps and bounds over the years, we have stayed true to our core values and we will continue to move the world forward through our products and actions and delivering good results along the way.

Best Wishes,
Hiralal Changela
Chairman

INDEX

Directors' Report	01
Extract of Annual Return MGT-9	11
Secretarial Audit Report	19
Report on remuneration of Directors	23
Related Party Transactions Report	24
Conservation of Energy & Technology Absorption	26
Management Discussion and Analysis	27
Corporate Governance Report	31
MD/CFO Certificate	44
Certificate of Non – disqualification of Directors	45
Independent Auditors' Report	46
Balance Sheet	55
Statement of Profit & Loss	57
Cash Flow Statement	58
Notes to the Financial Statements	60
Notice	79
Notes	91

29th Annual General Meeting

Date	:	December 26, 2020
Day	:	Saturday
Time	:	04.00 P.M.
Venue	:	Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

We believe
Respect, Trust, Ownership and integrated Teamwork
lead to Business Success.

BOARD OF DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their **29th Annual Report** and Audited Financial Statements for year ended 31st March, 2020.

FINANCIAL SUMMARY AND HIGHLIGHTS:

A summary of the Company's financial results for the Financial Year 2019-2020 is as under:

Financial Particulars	For the year ended March 31	
	2020	2019
Revenue from operations	519,815,807	805,383,819
Other Incomes	7,009,648	4,832,239
Total revenues	526,825,455	810,216,058
Cost of Material consumed	341,253,964	534,812,097
Changes in Inventory	(22,594,263)	(53,865,585)
Employee Benefit expense	78,469,670	86,499,726
Finance Costs	29,778,776	33,648,536
Depreciation and amortization expense	36,467,618	32,188,788
Other expenses	63,806,790	87,616,019
Total Expenses	527,182,554	720,899,581
Profit before tax	(357,100)	89,316,476
Tax expense	(462,012)	25,335,648
Profit for the year	104,912	63,980,828

OPERATIONAL OVERVIEW:

Overall business trends in 2019 were on downturn due to a reduction in domestic demand and global turmoil. Companies are trying to have their stand for sustainability in such tangible crisis, which has created the disruption in the market, your company is trying to maintain its continuity in the business as a coping mechanism.

Last quarter of financial year 2019-20 revealed the positive indication in terms of demands from domestic market. With the outbreak of COVID-19 in March 2020, possibility of improvement in Q1 in 2020-21 looks challenging.

Your company is optimistic about growth plan and expending the wings to reach the customers and provide cost effective Engineering & Bearing solutions. In continuation of last year, focus is to expand the distribution network and addition of new, OEM customers with expanding or product portfolio.

The export business focus is to add new dimensions in your company's export business by expanding geographical reach.

The market is very unpredictable, but company is trying to understand the new gradually evolving dynamics of the market.

In current crisis most of the employees were working from home which proved to be support system for maintaining the continuity in business in such limited resources. The Company is on experimental mode to try new avenues with help of technology in this digital era.

IMPACT AND IMPLICATIONS OF COVID-19 ON THE AUTOMOTIVE INDUSTRY

The COVID-19 pandemic has pushed humanity and the global economy into a crisis not seen since The Great Depression. In their effort to curb this pandemic, the Indian government, like many others, has enforced a national lockdown for 21 days. While the lockdown may have helped limit the spread of the virus, it has severely affected the economy, disrupting entire value-chains of most major industries in India. The automotive industry is no different.

The auto sector had already undergone considerable slowdown over the last 12-18 months due to structural changes beginning with the Goods and Services Tax, shift to Shared Mobility, Axle-load reforms, the Bharat Stage-IV (BS-IV) to Bharat Stage-VI (BS-VI) transition, Liquidity Crunch and so on. The COVID-19 lockdown has had a multiplier effect the industry has almost been at a complete stand still since 24th March. A prolonged truncation of consumer demand due to the lockdown is seen significantly affecting auto manufacturers (OEMs) revenues and cash flows.

In response, most of the companies are starving research and development (R&D) funding to sustain core operations and potentially setting back the progress made on alternate fuel and mobility technologies by 2-4 quarters. Eventually, some companies may even choose to take a strategic call to exit unprofitable markets and vehicle segments.

COVID-19

The World Health Organization declared a global pandemic of the Novel Corona virus disease (COVID-19) on February 11, 2020. To prevent the rapid rise of infections, governments almost all countries severely restricted travel, mandated extreme 'social distancing' measures and reduced demand supply chains to only those that are 'essential'. Office complexes, such as our campuses, our client offices and supplier offices, have been asked to operate with minimal or no staff for extended periods of time.

The crisis has affected, and continues to impact, our key stakeholders, employees, clients, vendor and the communities that we operate in. In responding to this crisis, our primary objective is to ensure the safety of our employees, to deliver our client commitments, and put in place mechanisms to protect the financial well-being of the Company and protect its long-term prospects.

TRANSFER TO RESERVES:

In view of the losses incurred, no amount has been transferred to reserves during the year under review.

PUBLIC DEPOSITS:

Your Company has not accepted or renewed any deposits under Chapter V of the Companies Act, 2013 read with Companies (Acceptance of Deposit) Rules, 2014, during the Financial Year 2019-2020.

LOAN FROM DIRECTORS:

During the Financial Year 2019-20, the Company has accepted loans from the directors of the Company for which the Company has received the declaration that the said loan is not from the borrowed funds.

DISCLOSURE OF ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNAL:

There were no significant and material orders passed by any Regulators or Courts or Tribunals during the financial year ended March 31, 2020, impacting the going concern status and Company's operations in future.

STATE OF COMPANY'S AFFAIRS AND BUSINESS REVIEW:

The details of the Company's affairs including its operations are more specifically given in the Management Discussion and Analysis Report, which forms part of this Annual Report.

CHANGE IN THE NATURE OF BUSINESS:

The Company manufactures Rollers and bearings for industrial applications. There has been no change in the main nature of business activities of the Company during the financial year under review.

DIVIDEND:

During the year under review, the Company has not recommended and declared dividend by the Board of Directors.

SHARE CAPITAL:

The paid-up Equity Share Capital as at March 31, 2020 stood at Rs. 10.79 crore. During the year under review, No change of share capital of the Company. None of the Directors of the Company hold instruments convertible into Equity Shares of the Company.

DEMATERIALIZATION OF SHARES:

The shares of your Company are being traded in electronic form and the Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Pursuant to dematerialization of shares, the company has entered into an agreement with NSDL & CDSL.

As on March 31, 2020, 100% of the share capital of the company is dematerialized.

MATERIAL CHANGES AND COMMITMENT, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THE FINANCIAL STATEMENTS RELATES AND THE DATE OF THE REPORT:

There has been no material change/commitment affecting the financial position of the Company during the period from the end of the financial year on 31st March, 2020 to the date of this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP):

Pursuant to provisions of Sections 2(51) and 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 following persons are acting as directors and Key Managerial Personnel of the Company:

<u>1.</u>	<u>Managing Director</u>	<u>Mr. Dilipkumar Changela</u>
<u>2.</u>	<u>Whole time director</u>	<u>Mr. Hiralal Changela</u>
<u>3.</u>	<u>Whole time director</u>	<u>Mr. Vrajlal Changela</u>
<u>4.</u>	<u>Chief Financial Officer</u>	<u>Mr. Vishal Changela</u>
<u>5.</u>	<u>Chief Executive Officer</u>	<u>Mr. Divyesh Changela</u>

6.

Company Secretary

Mr. Ketankumar Savaliya

As stipulated under the Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and SS-2 issued by ICSI, the brief resume of the Directors proposed to be appointed/re-appointed is given in the notice convening the 29th Annual General Meeting.

MEETINGS OF THE BOARD:

Six meetings of the Board of Directors were held during the financial year 2019-20 and the gap between two consecutive board meetings was within the limits prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The details of the number of meetings held and attended by each Director are provided in the Corporate Governance Report, which forms part of this Annual Report.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2019-20 are in conformity with the requirements of the Companies Act, 2013. Your company's financial statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the financial condition and results of operations.

In terms of provisions of Section 134(3) (c) of the Companies Act, 2013, your Directors further hereby confirms as under:

- A. In the preparation of the annual accounts, the applicable accounting standard have been followed along with proper explanation relating to material departures; if any
- B. They have selected such accounting policies and applied them consistently and made judgments' and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2020 and of the profit of the Company for that period;
- C. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- D. They have prepared the annual accounts on a going concern basis;
- E. They have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and;
- F. They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- G. Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

DECLARATION OF INDEPENDENCE:

The Company has received Declarations of Independence as stipulated under Section 149(7) of the Companies Act, 2013 from Independent Directors confirming that he/she is not disqualified from appointing/continuing as Independent Director. The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

AUDIT COMMITTEE:

The Company has in place an Audit Committee in terms of the requirements of the Companies Act, 2013 read with the rules made there under and Regulation 18 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The details of all the Committees of the Board along with their terms of reference, composition and meetings held during the year, are provided in the Report on Corporate Governance which forms part of this Annual Report.

There is no such instance during the year under review where the Board had not accepted any recommendation of Audit of the Audit Committee.

NOMINATION AND REMUNERATION COMMITTEE:

The Company has in place a Nomination and Remuneration Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder and Regulation 19 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Composition of Nomination and Remuneration Committee is given in Corporate Governance Report.

The Committee has formulated a policy on Directors' appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees, composition and the criteria for determining qualifications, positive attributes and independence of a Director.

SHAREHOLDER'/INVESTORS RELATIONSHIP COMMITTEE:

The Company has in place a Shareholder/Investors Relationship Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder and Regulation 20 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Composition of Shareholder'/Investors Relationship Committee is given in Corporate Governance Report.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Company has in place a Corporate Social Responsibility Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made there under and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Composition of Corporate Social Responsibility Committee is given in Corporate Governance Report.

REMUNERATION POLICY:

In compliance with Section 178(3) of the Companies Act, 2013 and on the recommendation of Nomination and Remuneration Committee, the Board framed a Nomination and Remuneration policy, which is generally in line with the existing industry practice and applicable laws. The main object of the said policy is to select and appoint Directors, Key Managerial Personnel and Senior Management and to ensure that the level and composition of remuneration is reasonable and sufficient to attract, motivate and retain the talent within the organization.

Details of remuneration paid to Directors and KMP's forms part of Corporate Governance Report which is annexed to this Annual Report.

BOARD EVALUATION:

As per requirement of section 134(3)(p) of the Companies Act, 2013 read with Rule 8 (4) of Companies (Accounts) Rules, 2014 and other applicable rules and regulations, the Board has a formal mechanism for evaluating its performance annually based on the criteria laid down by Nomination and Remuneration Committee which included attendance, contribution at the meetings and otherwise, independent judgment, adherence to Code of Conduct and Business ethics, monitoring of regulatory compliance, risk assessment and review of Internal Control Systems etc.

The Board carried out annual performance evaluation of the Board of Directors, its Committees, and Individual Directors. The performance of the Board was shared with Board members and suggestions were evaluated in detail. Further the reports on performance evaluation of the Individual Directors were reviewed by the Chairman of the Board and based on the evaluation necessary changes in processes and policies were suggested for having an effective Board.

ENHANCING SHAREHOLDERS' VALUE:

Your Company believes in the importance of its Members who are among its most important stakeholders. Accordingly, your Company's operations are committed to the goal of achieving high levels of performance and cost effectiveness, growth building, enhancing the productive asset and resource base and nurturing overall corporate reputation. Your Company is also committed to creating value for its stakeholders by ensuring that its corporate actions have positive impact on the socio-economic and environmental growth and development.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in Annexure I to this Report.

ENVIRONMENT, HEALTH AND SAFETY:

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources.

HUMAN RESOURCE MANAGEMENT:

At Vishal, we focus on the workplace of tomorrow that promotes a collaborative, transparent and participative organization culture, encourage innovation, and rewards individual contribution. The focus of human resources management at Vishal is to ensure that we enable each and every employee to navigate the next, not just for clients, but also for themselves. We have re-imagined our employee value proposition, to make it more meaningful to our employees.

PARTICULARS OF EMPLOYEES:

The statement under Section 134(3) (q) and Section 197 (12) of Companies Act, 2013 read with Rule 5(1) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as Annexure 'V'.

STATUTORY AUDITORS:

In accordance with the provisions of Companies Act, 2013, M/s. SVK & Associates, Chartered Accountants, (Firm Registration No. 118564W) was appointed as Statutory Auditor for a period of 5 continuous years from the conclusion of 24th Annual General Meeting till the conclusion of 29th Annual General Meeting of the Company.