ANNEXURE-H

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

Global Economy

Although the global economic output is recovering from the collapse triggered by Covid-19, it will remain below pre-pandemic trends for a prolonged period. The pandemic has exacerbated the risks that were already looming over us with a decade-long wave of global debt accumulation, and now, the world is looking at a bigger financial jolt.

The calendar year 2020 started on a positive note with expectations of improving growth in the automotive and industrial sectors. The rapid spread of Covid-19 forced governments to implement stringent lockdowns. Though lockdowns were inevitable to protect the well-being of citizens, they brought the world economy to a physical standstill. The pandemic has deeply impacted manufacturing capacities, and even as we speak, there are several countries, including India, in the middle of deadlier second or third waves of the infection, which further makes us unable to resume normal life and work. Furthermore, unemployment figures are worrisome as the vulnerable sections of the society and professionals from informal and contact-intensive sectors, such as tourism, are impacted the most.

In all, the global economy is estimated to have contracted 4.3% in CY 2020, a 0.9% smaller collapse than was expected in June forecasts. In advanced economies, the initial contraction was less severe than anticipated, but, the ensuing recovery has been dampened by a substantial resurgence of Covid-19 cases. Advanced market economies, which were witnessing a low single-digit growth rate even before the pandemic, are expected to make a slower recovery as compared to the emerging economies.

Aggregate GDP in emerging market and developing economies is expected to grow 5% in CY 2021, after a contraction of 2.6% in CY 2020, though there would likely be a high divergence in the economic output of individual countries. Meanwhile, output in China is estimated to have rebounded last year at a faster-than-expected rate, with particular support from infrastructure spending. China's strength was an exception however, and disruptions from the pandemic in the majority of other Emerging Markets and Developing Economies (EMDEs) were more severe than previously envisioned, resulting in deeper recessions and slower recoveries.

(Source: World Economic Outlook, April 2020 update)

Indian Economy

The Indian economy expanded in the last quarter of the FY 2020-21 and found some footing after the initial disruption caused by the Covid-19 pandemic before the pandemic's second wave hit. Signs of uptick, which were visible in the second half of the year due to consumption growth, continued their streak towards the end of the year.

The GDP in the final quarter touched 1.6%, an acceleration from 0.5% in the previous quarter. This momentum marginally softened full year's record contraction to 7.3% from the earlier projections of 8%. Private consumption spending appeared to have rebounded to growth for the first time in four quarters, posting an expansion of 2.7%, which further moderated the full-year's contraction to 9.1%.

However, for the full year, manufacturing and services segments are likely to decline by 9.6% and 8.8%, respectively. On the other hand, the agriculture, forestry and fishing, and utility services are a few segments, which are likely to grow, thereby, providing some support to the economy. However, retesting the pre-pandemic levels will take some time as the economy is grappling with the aftermath of the second wave of the virus. With many states going under stringent lockdowns for the span of April-June, much like the last year, again, business activities stagnated. As per IHS Markit's Manufacturing PMI survey for May, the weaker demand prospects in key sectors pushed new orders and output to 10-month lows.

Outlook

The year 2020-21 brought unprecedented disruption to lives and livelihoods across the world, and India was no exception. The economy declined sharply during first half of the fiscal year as the country grappled with the pandemic, however, effective measures taken by the Government of India and the Reserve Bank of India (RBI) helped the Indian economy to recover. Rapid rollout of vaccines coupled with Government's efforts and financial aid to stimulate recovery helped improve consumer sentiments. In spite of these encouraging developments, the Covid-19 pandemic is far from over. The trajectory of the pandemic still remains unpredictable. India admittedly did better than most nations last year and fended against Covid-19 admirably, thus, reassuring even foreign investors, however, the recent 2021 chaos was unforeseen. The Government has sped up its vaccination drive and formulated healthcare plus financial strategies to ward off the impact that a third wave might cause. With these preparations already in place today, our long-term growth prospects remain robust.

Industry Structure and Developments

Global Automobile Industry

Following a decline from 2018 to 2020, the global auto sector underwent stagnation during the first wave of Covid-19. However, as global demand showed signs of recovery, the growth returned in CY 2021. This being said, the pace of recovery has been uneven, with China leading the demand charts, and North America and Europe following. The demand in CY 2021 is estimated to grow at +10.1% YoY with solid recoveries in the US and China region, while maintaining a cautious stance on Europe, followed by +5.5% YoY and +3.0% YoY in CY 2022 and CY 2023 respectively.

ANNEXURE-H (Contd.)

The global auto sales will expand by 8-10% in 2021 to 83 million-85 million units, up from 77 million in CY 2020. The market share of electric vehicles (including plug-in hybrids) is expected to increase in CY 2021 to a 6-8%, after comprising a 4.4% share in CY 2020 and 2.5% in CY 2019. The European market will drive this growth.

Meanwhile auto electrification, which has entered a full-expansion phase, is poised to grow, following a stricter environmental regulation. A number of countries have come forward to promote EV (electrified vehicle) sales as part of their environment-conscious policies. EV sales have significantly outpaced auto demand in core markets since mid-2020. This is an initial point of escalation for the trend in auto electrification despite lingering impact from COVID-19. This mega-trend will set winners apart from the losers as this relates directly to the monetisation of EVs and changing competitive dynamics within the supply chain.

Indian Automotive Industry

The automotive sector is an integral part of the Indian economy. Having faced disruptions and slowdown during the recent pandemic, automobile (auto) sales across segments in India – the world's fifth largest market – slipped to a 6-year low in FY 2020-21. A deep structural slowdown in the industry even before the pandemic was already at work before the Covid-19 catastrophe, which agitated the growth capacity, and pushed all vehicle segments back by many years. In order to overcome the unprecedented challenges faced in CY 2020, the auto industry has shifted its focus to going digital, which could help serve customers, reduce costs, and structure their manufacturing processes.

An interesting diversion to note would be the post-lockdown months, to be specific Q3 of FY 2020-21, which recorded higher sales numbers, given the pent-up demand in the personal mobility sector.

Additionally, the postponement of replacement demand for vehicles in FY 2019-20 and FY 2020-21 remained sizeable and is expected to come back as the economy starts recovering.

In December 2020, sales of Passenger Vehicles (PVs) and two-wheelers witnessed a resurgence of growth. This again can be traced back to months of restrictions and low buying activities, which are normally retriggered in the festive season. The rising focus on maintaining social distancing (by travelling in personal vehicles) was also a key driver of this improvement. Exports proved to be the saviour for the industry during the immediate post-lockdown period.

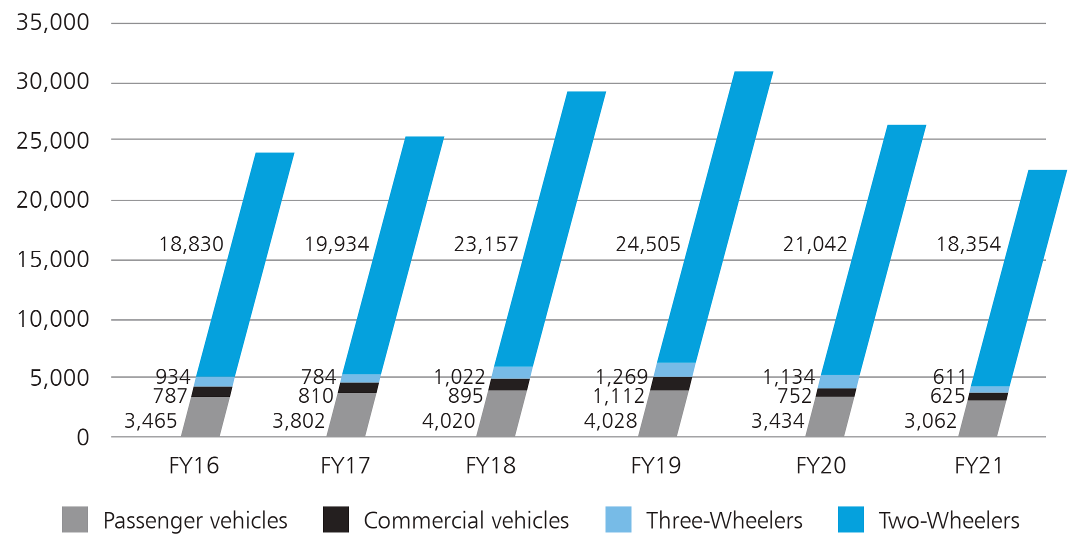
As per SIAM, the sale of Passenger Vehicles declined by 2.24 % in April-March 2021 over the same period last year. Within the Passenger Vehicles, the sales of Passenger Cars and Vans declined by 9.06% and 17.62 % respectively, while sales of Utility Vehicles marginally increased by 12.13 % in April-March 2021 over the same period last year.

The overall Commercial Vehicles segment registered a de-growth of 20.77 % in April- March 2021 as compared to the same period last year. While the sale of Three-Wheelers declined by 66.06 % in April-March 2021, the Two-Wheelers sales registered a de-growth of 13.19 % in April-March 2021 compared Y-o-Y.

Segment-wise automobile production trends in 2020-21

Category	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Passenger vehicles	3,465	3,802	4,020	4,028	3,434	3,062
Commercial vehicles	787	810	895	1,112	752	625
Three-Wheelers	934	784	1,022	1,269	1,134	611
Two-Wheelers	18,830	19,934	23,157	24,505	21,042	18,354
Grand total	**24,016**	**25,329**	**29,094**	**30,915**	**26,362**	**22,652**

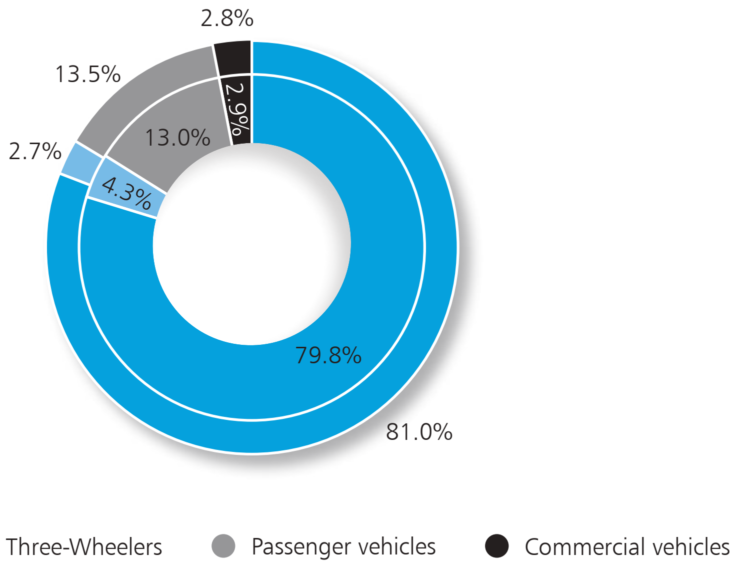
Production Volume



ANNEXURE-H (Contd.)

% share of each segment in total production volume

Category	FY 2019-20	FY 2020-21
Two-Wheelers	79.8%	81.0%
Three-Wheelers	4.3%	2.7%
Passenger vehicle	13.0%	13.5%
Commercial vehicle	2.9%	2.8%



Outlook

Globally, the pandemic has enforced a massive change in attitude towards mobility, with health and safety taking utmost precedence. A recent global survey indicates shifting consumer preferences – as people seek to limit possible exposure to the virus, the preference for private vehicles is expected to rise in the short term, and demand for shared and public transport is bound to fall. These trends could dominate until a vaccine is available at scale.

The micro-mobility segment, which comprises electric bikes, bicycles, skateboards, mini scooters, among others, could gain more popularity in key international markets as a low-cost private vehicle option. In India, while infrastructure gaps limit the uptake of such options, rental start-ups have started offering long-term rental options on electric bikes. This could, in turn, transform the way India conducts last-mile deliveries amid the pandemic and in the future too.

While the micro-mobility sector has an opportunity to thrive, the electric vehicle (EV) segment would probably experience a global slowdown in the automotive sector. Sales grew only 9% in 2019, and Covid-19 caused a 25% decline in sales in the Q1 of 2020. However, 2021 onwards, adoption could increase in key geographies, helped by regulation and monetary incentives. China's decision in 2020 to extend subsidies on plug-in electric vehicles (PEV) through 2022, combined with investment in new charging infrastructure, is likely to put sales back on a growth trajectory by 2021. In Europe, strong regulatory tailwinds may buoy the segment even during a harsh Q2, while the region faces the full-blown impact of the pandemic. However, in the US, where sales had already dwindled from 2019 onwards, revised fuel economy standards, falling oil prices, and Covid-19 related effects could further cause EV sales to stagnate in 2020 and 2021.

A Resilient Aftermarket

As more people postpone buying new vehicles in the present scenario, repairs on current and second-hand vehicles could provide a window of opportunity for the automotive aftermarket. Historically, the light-vehicle aftermarket has been the most resilient during periods of economic distress. During the last financial crisis, for example, US car sales fell by nearly 17%, whereas aftermarket spending declined by just 1%. The current downturn, too, could give aftermarket spending a push. As more auto parts retailers adopt e-commerce and digital channels, end-users have begun shopping for replacement parts online. Reduced usage of public transport is increasing the reliance on personal vehicles. This could up the demand for aftermarket service.

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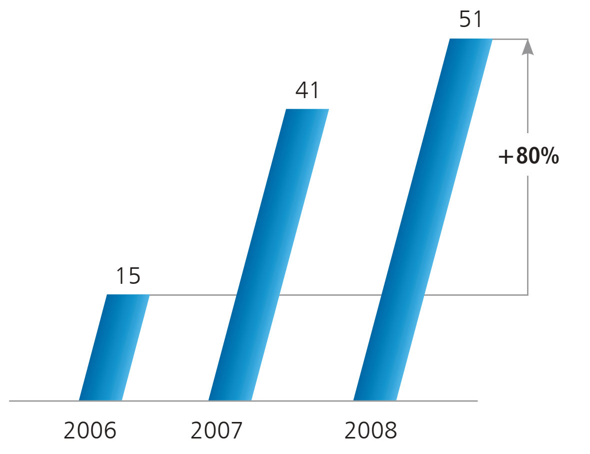
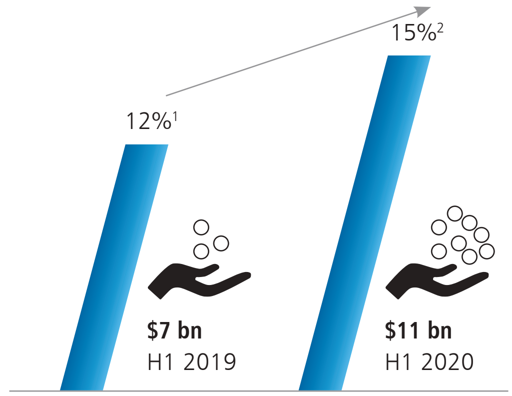
Investment in automotive sector shot up during the last economic downturn; similar trend observed in H1 2020

Auto M&A investments during the 2008 financial crisis...



M&A investments in the sector in H1 2020; PE/VC activity up



India's automobile sales already saw an uptick in July 2020 compared to previous months in the year. Atmanirbhar Bharat (self-reliant India), a pro-localisation scheme first announced amid the early months of the COVID-19 crisis, could help the auto industry overcome its current supply chain issues. India's auto component sector witnessed a 6% compounded growth in turnover between FY 2015-16 and FY 2019-20. To meet the aspirations of capturing 4-5% of the global auto parts trade by 2026, the Government could focus on the 5Ls – Labour, Law, Logistics, Liquidity, and Leading innovation, where India's Asian peers outperform. Vietnam's auto component industry, for instance, is the fastest growing among its peers due to tax incentives, growth-oriented trade, and investment policies as well as its Government's pro-development labour laws.

(Source: mckinsey.com)

Auto Component Industry

Auto-components industry account for 2.3% of India's Gross Domestic Product (GDP) and employs as many as 1.5 million people directly and indirectly. A stable government framework, increased purchasing power, large domestic market, and an ever-increasing development in infrastructure have made India a favourable destination for investment. The organised segment of the industry including OEM, is largely engaged in the manufacturing of high-value precision instruments, while the unorganised segment comprises of low-value products catering to after-market services. The industry is highly fragmented, with most firms being Indian businesses and very limited foreign firms and JVs operating in the segment. However, one of the main challenges faced by the indigenous component manufacturers is the low-level of technology adaptation and R&D intensity. The sub-sectors of the auto component industry in India would include the engine parts, electrical parts, drive transmission and steering parts, suspension and braking parts, equipment, etc. The Indian auto component industry, being a critical part of the OEM value chain, is expected to record a subdued growth due to muted demand in FY 2020-21 and aggravation following the pandemic. However, as per the data from ACMA, the auto parts industry has degrown less than the vehicle industry in FY 2020-21. Further the industry is anticipated to witness significant improvement on a sequential basis and register strong growth in FY 2021-22.

Government Initiatives

Production Linked Incentive

India is at a crucial junction now, positioned well to seize China's throne as the "top investment destination" and "the most preferred manufacturing hub of automobiles" as the global sentiment for China's governance has gone south in the last one year, which repelled a large number of manufacturers and investors alike to find new areas worth exploring.

To further support its worldwide standing, the GoI announced the Production Linked Incentive (PLI) scheme for automobiles and auto components both, with a maximum incentive of

ANNEXURE-H (Contd.)

about ₹ 57,000 Crore over a course of 5 years. The scheme covers 4 sub-schemes:

1. Global Sourcing Scheme
2. Vehicle Champion Scheme
3. Component Champion Scheme
4. Production- Linked Incentive (PLI) Scheme

PLI scheme is expected to deliver benefits to a few select firms that would meet the eligibility criteria laid under the scheme. However, the real benefits are expected to penetrate inside the automobile value chain and make an impact at each level. The PLI scheme for automobile sector is expected to act as a growth enabler to make the sector cost-competitive, increase market share, attract investments, promote R&D, local value addition, and creating jobs, in turn, repackaging itself as a Global Champion for both Domestic and Global markets, and build on the Government's initiative of "Atmanirbhar Bharat".

Scrappage of Vehicles – the Hidden Opportunity

As per the Scrappage Policy announced in July 2019, the Indian Government proposed changes to motor vehicle rules to permit scrapping of vehicles that were more than 15 years old. The scrappage policy is meant to flush out old cars, which end up polluting the environment.

This will also encourage new car sales, propelling the growth of the Indian automobile market, while also encouraging manufacturers to deliver in accordance with environmental concerns. The government has also proposed OEMs to offer discounts on the purchase of new vehicles after scrapping an old vehicle. This policy will also reduce their dependence on steel imports as steel and other metal deposits from the scrapped cars will minorly be cutting down the metal imports on a yearly basis.

Amid the Covid-19 impacted slowdown of the automobile market, the scrappage policy could be a significant market growth enabler. As per estimates, an effective vehicle scrappage policy in India can help create an industry of its own with a business opportunity worth USD 6 billion (₹ 43,000 Crore) per year. Apart from the USD 6 billion steel scrappage potential, there is an additional business that can be generated from recycling of plastic, rubber, and other reusable body parts of the scrapped vehicles.

Electric Vehicles – The Next Big Thing

The Electric Vehicle (EV) market in India is gradually becoming a favourite investment among investors, the Government, and the consumers. As per the Centre for Energy Finance (CEEW-CEF), the EV market in India will be a USD 206 billion opportunity by 2030, if India achieves its long-term ambitious goal of 100% electrification by 2030. If we as a nation manage to do that, this industry alone would have created over 5 Crore direct and indirect jobs in India.

Under the Union Budget of 2019-20, the GoI declared plans to offer additional income tax benefits of up to ₹ 1.5 Lakh for interest paid on auto-loans taken to buy EVs. The Government of India expects the automobile sector to attract USD 8-10 billion in local and foreign investment by 2023 for EVs.

Threats

Prolonged Stress in the Macro Economy, Automotive, and Industrial Sectors

Economic recession gripped global economy following the Covid-19 insinuated lockdowns. While global trade may stabilise earlier, the macro-economic impact of recession may be felt on the supply and demand aspect of the vehicles' industry for a prolonged period of time. Highly dependent on the economic conditions that might prevail in the coming years, the auto sector faces high risks as the purchasing power and private consumption could remain low. Moreover, with the second wave hitting the nation, savings are being disposed of, which will continue to be of prime concern.

Unforeseen and Sudden Currency Volatility and Raw Material Prices

Volatile and unstable global markets have widespread implications for manufacturing organisations. From unexpected fluctuations in raw material costs to currency volatility, unforeseen obstacles destabilise supply chains. With raw materials becoming harder to secure, commodity price volatility will affect the cost of manufacturing operations and thus, the profitability of the Company. What it means is that we'll have to choose from either absorbing the significant additional costs, until we find new ways to mitigate the expenses, or pass on the price load to customers, who are already reluctant to spend.

Business overview

Switch & Handle-Bar Systems Division:

MIL is one of most prominent global manufacturers of switching systems and handle-bar assembly for **2Ws and 3Ws**. It has maintained its leadership position through its domestic production facilities spread across 5 plants and 2 overseas production facilities at its 100% subsidiaries in Indonesia (PTMA) and Vietnam (MIVCL) respectively. The Company also owns a state-of-the-art office in Japan that focuses on designing and developing latest switching solutions. The Company has consistently delivered value at desired cost -rich experience which has helped it gain trust amongst the customers. The Company's rich clientele speaks of the trust it has earned with its service over the years. It includes Bajaj, Honda Motorcycles, Hero MotoCorp, Royal Enfield, Yamaha Motors and Piaggio, among others. The Company envisions sustaining its global leadership position and continuing as the most preferred supplier of switch systems to 2Ws and off-road vehicles across the globe. With this aim in mind, the division clearly works towards and focuses on developing cost-effective, innovative, and quality solutions. The Company serves almost all major OEMs and develops switching solutions for off-road vehicle segments.

The Company has been consistently maintaining its leadership position in India in the **4W switching business** through its subsidiary named Mindarika Private Limited. Tokai Rika is the joint venture partner for this business for last 29 years. It has 4 manufacturing locations at Manesar, Pune, Chennai & Ahmedabad and has its own dedicated R&D centre. The Company supplies to major OEMs including Maruti, Toyota, MSIL, Tata, M&M, Hyundai, among others.

The business registered a revenue of ₹ 1,868 Crores for FY21 as against ₹ 2,022 Crores for FY 2019-20, contributing to about 29% of the total consolidated turnover.

Lighting Division:

As one of the country's leading manufacturers of the automobile lamps and signaling devices, MIL is renowned for its lighting solutions. designing, R&D, manufacturing and delivering end-to-end solutions to the country's leading OEMs. The division operates its plants across Manesar, Pune and Chennai. MIL's lighting business is also present in Indonesia through its subsidiary PTMA where it serves some key Japanese OEM's in PV segment. The Company produces premium lights for 2-Wheelers, 3-Wheelers, and 4-Wheelers, as well as off-road vehicles. MIL enjoys a considerable hold in the aftermarket and replacement market as well. The clientele includes the world's renowned OEM brands like Maruti, Renault Nissan, M&M, Royal Enfield, Yamaha, Tata, Suzuki, Swaraj Mazda and New Holland, Bajaj, Triumph, KTM and ISUZU among others.

In 2016, the Company acquired the global lighting business of the Rinder Group, based in Spain, and renamed to Minda Rinder. Minda Rinder is spread across its facilities at Bahadurgarh, Pune, Hosur and Sonipat. This acquisition has strengthened expansion of the Company's presence in 2W segment, well supported by Rinder's extensive R&D centre in Spain.

In 2020, MIL also acquired 100% interest in Delvis Gmbh, a complete system developer for automotive lightings which has proven capabilities in design, development, and manufacturing of innovative lighting solution for next generation vehicles. It offers full range of products, from cost-optimised basic headlights and design solutions up to adaptive LED headlight systems with dynamic lighting functions Interior lighting solutions include overhead control units, ambient lighting, indicator and locator lighting and LCD backlights. Delvis is among the top players with state-of-the-art lighting technology and works closely with German OEMs (VW / Audi/ Porche) in pre-development activities for high end platforms, which deploy the next level of technologies.

Lighting Business achieved revenue of ₹ 1,417 Crores for FY 2020-21 as compared to ₹ 1,257 Crores in FY 2019-20, contributing 22% to our total turnover.

Acoustic Division:

Over the years, MIL has emerged as the market leader in automotive horn manufacturing segment catering to 2Ws, 4Ws, off-road and CVs in India. The division, with its domestic manufacturing units at Manesar and Pantnagar, is well supported by a dedicated R&D team in the design, development, and production. Together, they deliver extremely durable and high-quality automotive horns with optimum performance. The marque clientele includes Maruti Suzuki, Renault, Nissan, Tata Motors, Bajaj Auto Limited, Honda Motorcycles and Scooters, Hyundai, and Royal Enfield.

In 2013, the group acquired Spain-based Clarton Horns S.A.U., a leading manufacturer of electronic automotive horns, trumpet horns and disc horns. With Clarton's manufacturing facilities situated at Spain, Mexico, and Morocco, it is amongst the top two global players in automotive acoustics, giving the Company an access to leading European and American OEMs. MIL, along with its subsidiary Clarton Horn, is world's second largest manufacturer of automotive horns.

Acoustic Business recorded revenue of ₹ 634 Crores for FY 2020-21, contributing 10% to our total turnover as against ₹ 653 Crores in FY 2019-20.

Castings Division:

Minda Group through its subsidiary Minda Kosei Aluminum Co. Private Limited is a leading and the largest Indian manufacturer of alloy wheels. With its manufacturing facility at Bawal, Haryana and Gujarat, it has a current installed capacity of approximately 1,80,000 wheels per month. The Company is further expanding the capacity of at the Bawal, Haryana plant from 120,000 wheels per month to 180,000 wheels per Month to cater to increased orders and demand from OEMs. The partnership with Dayou Global, South Korea has enabled the group to expand its portfolio wherein it will start supplying LPDC wheels to a leading Korean OEM by FY 2021-22. MIL is in commissioning stage of 2W alloy wheels plant with proposed capacity of 3.6 million wheels per annum. While 3 lines out total 4 lines have commissioned, 4th line is expected to commence in Q2 of FY 2021-22.

The aluminium die casting business under M J Castings Limited (MJCL - now merged with MIL) is designed to cater to a volume of 25,000 engine parts/ components per day. The manufacturing plants in Rewari, Haryana and Hosur, Bangalore are invested with modern state-of-the-art facility and equipments for operations.

Castings Division achieved revenue of ₹ 748 Crores in FY 2020-21 as compared to 765 Crores in FY 2019-20 contributing 12% of our Total turnover

ANNEXURE-H (Contd.)

Seatings Division:

With the Merger of Harita Seating Systems Limited (HSSL) with Minda Industries Limited (MIL), the group has unlocked another gem in automotive systems solutions in the Seatings segment. The merger has potential to create significant shareholder value backed by superior business profile and performance. This transaction encompasses merger of HSSL into MIL and its 51% holding in Harita Fehrer Limited (HFRL) which is a joint venture with Fehrer Automotive GmbH, one of the leaders in automotive seating business in Germany and Europe. HSSL is a tier 1 seat supplier across various automotive segments and has 12 strategically located domestic manufacturing plants along with its subsidiary(ies). HSSL is engaged in manufacturing, product development and sale of safe, ergonomic and reliable driver seats and bus passenger seats. Their key customers include TVS, Royal Enfield, TAFE, Daimler, John Deere and TATA's among others.

Seatings Division achieved a revenue of ₹ 650 Crores in FY21 as compared to ₹ 757 Crores in FY 2019-20 contributing 10% of our Total turnover

Other Business:

Sensors Division: The Sensors and Controllers (SAC) division has come a long way from its inception in 2005 to being a leading supplier of electronic components to major Indian OEMs. The state-of-the-art production facility at Pune, manufactures products that meet customer' requirements and expectations. The division deals in Start Stop Sensors, Contact and Non – Contact type Speed Sensors, HID Ballast, TPMS (Tyre Pressure Monitoring System), EAPM (Electronic Accelerator Pedal Module), DC-DC Converter.

The Company, over the years, has built a loyal customer base which boasts of names such as General Motors, Mahindra, Volvo Eicher, Royal Enfield, Tata, and Bajaj. The division also has access to Wheel speed sensor technology which will find application across all PV platforms.

Controllers and Telematics Division: The controller division has pioneered the lamp Leveling motor solutions and is a leader in this product category with major OEMS as its customers. The Company has also acquired knowledge of AIS 140 for this technology from the KPIT Engineering for design of IVTS and OBITS. Controller division is augured well to meet the rising demand of the evolving technology in controller and telematics space. iSYS RTS GmbH, Germany, a 100% subsidiary of MIL is closely working with this division to ensure the product offerings are of global standards.

The group through its subsidiaries and associates is also engaged in manufacturing of blow moulding, hoses (breaks and fuel), fuel caps, air filters, air bags, CNG and LPG kits, speakers, and infotainment, among others.

Product -wise revenue

Division	Switches	Lighting	Acoustics	Castings	Seatings	Others
%	29%	22%	10%	12%	10%	17%

Market-wise revenue contribution

Domestic	84%
International	16%

Financial Performance

	2019-20	2020-21	% change
Debtors Turnover	52	59	14%

	2019-20	2020-21	% change
Inventory Turnover	56	63	13%

	2019-20	2020-21	% change
Current Ratio	0.88	0.96	9%

	2019-20	2020-21	% change
Net Debt Equity Ratio	0.40	0.31	21%

	2019-20	2020-21	% change
EBITDA Margin (%)	10.8%	11.4%	57 bps

	2019-20	2020-21	% change
Net Profit Margin (%)	2.5%	3.2%	75 bps

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	2019-20	2020-21	% change
Net Cash flow from operating activities (₹ Crore)	1,048.55	342.71	-67%

	2019-20	2020-21	% change
Interest as a % of share	1.51%	1.16%	36 bps

	2019-20	2020-21	% change
Depreciation as a % of share	5.47%	5.89%	(42) bps

Risks and mitigation

Risk management is an important business driver and is integral to the achievement of the group's long-term business plans. We take an integrated approach to minimise risk and run proper assessments to maximise growth. Our success, as an organisation, depends on our ability to identify and capitalise on the opportunities generated by our business and the markets in which we compete. By managing the associated risks, we strive to achieve a balance between our goals of growth and return and the related risks.

Risk Head	Description	Mitigants
Economic situation	Our financial condition and results of operations may be influenced by macro-economic factors within the various countries in which we operate, including changes in Gross Domestic Product, the level of consumer and business confidence, changes in interest rates for/ or availability of consumer and business credit, the rate of unemployment, foreign currency controls and changes in exchange rates, as well as geopolitical risks, such as government instability, social unrest, the rise of nationalism and populism and disputes between sovereign states. Any disruption in such macro-economic developments over which we have little to no control can potentially impact our profitability. Capital Impacted: Financial, Manufactured, Human and Social	The social, economic, as well as political risks are mitigated with continuous observations of the developments in our business environment. The Company took appropriate actions in terms of changes in strategies to protect the interest of the Company. Several cost rationalisation measures were identified and implemented in material, employees, and process cost to overcome the loss.
Pandemic	The coronavirus pandemic impacted 2020, particularly in the first half of the year. The Government put various containment measures, holding the first priority for people's well-being over economic activities, and rightly so, however, there was an overall slowdown in the market demand as a result, and the fragile supply chain was damaged. The future implications and duration of the pandemic cannot be predicted. The success of the vaccination drive initiated is yet to be ascertained. The potential third wave of pandemic still looms over, which may lead to lockdown like measures being implemented again by the government. These may have an adverse impact on the regular operations and sales of your Company. Capital Impacted: Social and Human	The Company is continuously monitoring the developments and the possible financial or logistic effects that may come with another Corona wave, and so, we are working to minimise the impact of this unprecedented situation.
Industry transition	As the Company is a supplier in the automotive and industrial sector, demand for Company's products is, to a large extent, driven by macro-economic conditions. Beside these, in the Automotive OEM division, demand is also affected by changes in consumption patterns, fuel prices, interest rate levels, and so on. Cumulatively put together, such factors lead to significant volatility in automobile production, which makes exact sales forecasting more difficult. Sales in industrial division is spread across diversified business fields and no significant risks are identified in these markets. A change in forecasted market trends could have an impact on the net assets, financial position, and the earnings of both Automotive and Industrial markets. Capital Impacted: Financial, Manufactured and Intellectual	Markets are evaluated on an ongoing basis to identify changes in market structure or regulations. The Company uses cost efficiency programmes to reduce the amount of damage flexibly and dynamically from unexpected market slowdowns

ANNEXURE-H (Contd.)

Risk Head	Description	Mitigants
Competition	The Company faces competition in all business fields it operates in. As a result, the Company is exposed to dual risk of either being displaced by existing or new competitors or its products being replaced by product innovations and new technological features. Customer dissatisfaction on price, quality, delivery performance, and design could lead to loss of market share. Capital Impacted: Financial and Social	The Company ensures close cooperation with its key customers on product development. It has implemented strict product quality controls in order to reduce the likelihood of substitution. The Company is also developing products that will help it to step up the value chain while building a robust product portfolio.
Procurement	Procurement risks arise mainly due to raw materials price fluctuations, ability of suppliers to deliver quality products in time. Adverse fluctuations in market prices and/or supplier's financial distress could have an impact on the Company's financial position and earnings. Capital Impacted: Financial and Manufactured	The Company's purchasing function ensures optimal supply of goods and services to the Company, focusing on quality, cost, and delivery performance. Options for multiple product sourcing and localisation are continuously explored. By negotiating prices and utilising economic synergies, the Company is largely able to obtain competitive prices.
Production	As the Company's manufacturing facility is capital-intensive, a large proportion of its costs are fixed. As a result, decrease in utilisation of plant capacity leads to under absorption of costs and thereby impacts its earnings adversely. Moreover, influence of force majeure could result in delays or interruptions of production and supply chain, leading to non-fulfillment of market demand. Capital Impacted: Manufactured, Intellectual and Financial	The Company regularly reviews market conditions and aligns its production plan accordingly. The Company's good relations with its customers and suppliers further help it to estimate and pile up inventory levels at both side- procurement and manufacturing.
Information Technology	The importance of the IT systems utilised across various functions in the Company is growing. The operability of business processes and, therefore, the continuity of operations depend on the availability of IT systems. Three protection targets – confidentiality, integrity and availability – steer the Company's IT security management and protection of data and IT systems. Unauthorised access to IT systems, modification and misappropriation of sensitive business data could have an impact on the Company's net assets, financial position and earnings. Capital Impacted: Manufactured, Intellectual, Social and Financial	The Company has the highest standards for the management of IT security systems and we constantly upgrade the IT security infrastructure. We educate/ train our employees about IT security matters of the ranks of precautions the users should take to ensure that the IT infrastructure and their business data are adequately protected against any possible IT risks.

Risk Rating:

Risk	Impact	Likelihood
Economic situation	Moderate	Moderate
Pandemic	High	High
Industry transition	High	Rare
Competition	Low	Rare
Procurement	Low	Rare
Production	Moderate	Rare
Information Technology	Low	Rare

Human Resources

This year was full of challenges for the HR team, we started the year with an outbreak of COVID 19, the HR focus shifted primarily to three important areas: Employee safety & wellbeing, Effective Communication and Managing teams & work remotely.

We created special COVID task force teams to take care of employees. To boost employee morale and for effective and continued communication we had lot of town halls.

This year we strengthened our focus on organisation processes and systems. We identified unique roles and have created task force to rewrite all role descriptors. To position right person for right job, we conducted virtual assessment center for all Manager and above employees. We redesigned the organisation and strengthened the HR function by crafting a new role of regional hub in all geographies where we have our presence. This make HR accessible to all employees.

ANNEXURE-H (Contd.)

To achieve our group goals, we cascaded Organisation goals to KPIs and cascaded KPIs till last level of the organisation. This will help employee to align with organisation goals. We further strengthened our process by relooking and updating our SOPs to align them to internal and external need

During this year we became more agile by moving employee data to eHRM module of SuccessFactors where we have completed our first performance management cycle. eHRM helps Organisation to make quick and right decision on Successional planning and other initiatives related to employee as employee data is now available on a click of button.

At the end of the last quarter when things started coming back to normal, second wave hit us more hard, this is clear indication that focus on employee safety and well-being will remain in focus for some more time.

Environment, health, and safety (EHS)

Our endeavour is to work towards better management of our sustainability drivers, including environment, health and safety of our assets. This includes several community initiatives that help develop our workforce and the communities around us. These communities include areas around the MIL facilities, consumers, investors, and other stakeholders.

Internal Control Systems

MIL is a system-driven Company. Our effective internal control system plays a crucial role in our efficient daily operations. The Company follows a systematic method of financial reporting of various transactions, efficiency of operations, safeguarding of assets and compliance with applicable statute and regulations. Our structured audit system is an on-going process. It forms a basis for reviewing the adequacy of internal control systems. Our internal control is aptly designed, ensuring reliability of financial and other records necessary for the preparation of financial information and other related data.

Our exhaustive budgetary monitoring control system helps in evaluating the performance. This evaluation is done with reference to budgeted performance by the management review committee. The discrepancies, if any, with actual performance and the budgets are methodically analysed regularly. The Management Review Committee, in consultation with the Audit Review Committee, then suggests possible remedial actions.

The internal audit is carried by the internal team and Internal Auditors of the Company. The reports, thereby prepared, are reviewed in the Audit Committee meetings. Corrective measures to strengthen the internal controls are suggested and taken in consideration. This is done on a quarterly basis. The motto here is improvement of internal controls and systems within the Group.

The Board then reviews the Internal Audit Committee's suggestions. Post reviewing, the Board approves suggestion and the resultant reports are reviewed by the Audit Committee and the Board members together.