Annexure – A

Management Discussion and Analysis

ECONOMY

Global Economy

The global GDP contraction for 2020 is estimated at 3.3%, as compared to an expansion of 2.9% in 2019. This de-growth can be attributed to the pandemic-induced strict restrictions, and the resultant halt in economic activities in several sectors.

Amid exceptional uncertainty, the global economy is projected to grow 6% in 2021 and 4.4% in 2022. This projection is based on the expectations of additional fiscal support in a few large economies, and recent additional COVID-19 vaccine approvals coupled with large-scale vaccinations across the globe. Although vaccination has raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook, thereby giving us a good reason to maintain cautious optimism.

Indian Economy

Having entered into a pandemic-induced recession, India's GDP fell by 8% points in 2020, as compared to rising by 4.2% in 2019. This was on account of strict restrictions and the consequent decline in economic activity.

The Indian economy is showing early signs of a broad V-shaped recovery, owing to larger public stimulus spends, the revival of consumer confidence, robust financial markets and an uptick in manufacturing activity. Key factors that are expected to drive this rebound include normal monsoons, success in averting a full-fledged second wave of COVID, and discretionary spending staying unaffected by cost pressures. In its latest edition of World Economic Outlook published in April 2021, IMF said it expects India's GDP to grow 12.5% in FY 2021-22, the highest among emerging and advanced economies. GDP growth for FY23 is pegged at 6.9%.

(Source: https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021)

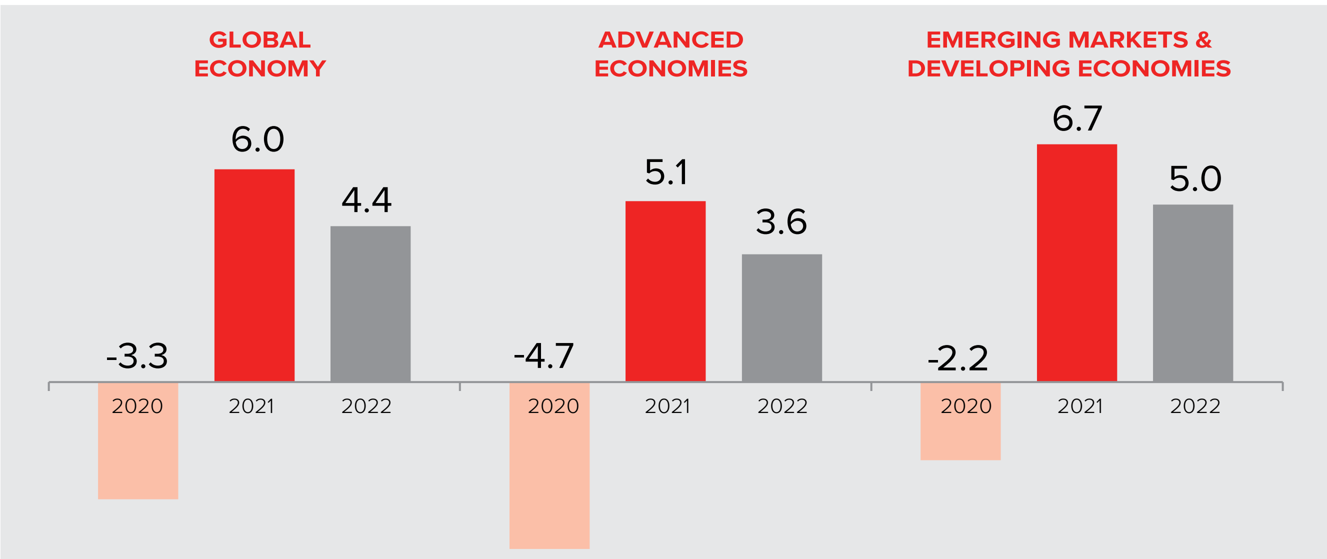
AUTOMOTIVE INDUSTRY OVERVIEW

Global Perspective

The automotive sector globally employs 9 Million people directly and 45 Million people indirectly (in auto components), leading to more than 5% of the global manufacturing employment. The automotive sector worldwide was severely impacted due to the economic slowdown. Among other events was the severe shortage of chips in automotive sector.

Automobile sales dropped 14% and total vehicles sold across major global markets declined to 66.5 Million in 2020, the lowest number of annual sales for nearly a decade. Out of this, 56 Million were passenger vehicles. At 3.1 Million units, the share of EVs sold in the total passenger car market grew to 5.5%, a landmark year for electric vehicles. (Source: https://www.businesstoday.in/sectors/auto/electric-vehicles-global-sales-jump-39-percent-in-2020-3-Million-units-sold/story/430707.html)

Global Economic Growth



(Source: https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021)

Annexure – A (Contd.)

Alternative powertrain technologies, electric and hybrid vehicles, smaller vehicles (subcompacts, microcars and superminis), clean-energy vehicles, driverless cars, automated factories and online purchase of vehicles are emerging as the major trends in the automotive sector going forward (Source: McKinsey report titled 'The road to 2020 and beyond: What's driving the global automotive industry?').

INDIAN STRUCTURE AND DEVELOPMENTS

Indian Automobile Industry

The Indian automobile sector is one of India's principal industrial catalysts, providing jobs to more than 35 Million people, directly or indirectly, and contributing around 7.1% to India's overall GDP and 49% to manufacturing sector GDP. The Indian automotive sector comprises of passenger vehicles, commercial vehicles as well as 2 and 3 wheelers. (Source: https://www.investindia.gov.in/sector/automobile)

The Indian Auto Industry was adversely impacted by the pandemic, and was among the most severely affected sectors. Total vehicle production and sales witnessed a de-growth of 14%. In the FY 2020-21, there was a de-growth in vehicle sales of all segments compared to the previous fiscal year. Passenger Vehicles, with sales of 27.11 Lakhs units, was marginally lower by 2.24% YoY. There was a 13.19% decline in Two-Wheeler sales, at 151.19 Lakhs units. Commercial Vehicles sales contracted by 20.77% to 5.69 Lakhs units. Three-Wheelers was the most drastically impacted segment, with sales falling 66.06% YoY, to 2.16 Lakhs units.

Annual Automobile Sales By Segment

(Number in, 000)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	CAGR %
Passenger Vehicles	3,289	3,377	2,774	2,711	-6.2
Commercial Vehicles	857	1,007	718	569	-12.8
Three Wheelers	636	701	637	216	-30.2
Two Wheelers	20,200	21,180	17,416	15,119	-9.2

(Source: SIAM report titled 'Production, Domestic Sales and Exports data for the FY 21 (April 2020 to March 2021)', published on April 12, 2021)

Automotive sector profits in emerging markets (BRICs and RoW) are expected to grow three times as fast as that in developed economies. Emerging markets' share of global auto sales have risen from 50% in 2012 to 60% in 2020; emerging markets are expected to account for 75% of incremental volume growth. India is expected to be the world's third-largest automotive market in terms of volume by 2026. (Source: McKinsey report titled 'The road to 2020 and beyond: What's driving the global automotive industry?')

According to SIAM's projections, in the FY 2021-22, growth is expected to be 22% in the passenger vehicles, 28% in Commercial Vehicles, 18% in 2 & 3 wheeler vehicle segment and 13 % in tractor segment. However, a sharp spike in metal (raw material) prices in recent times, may impact margins. Sales in the industry are expected to rise on account of the changing customer preferences, away from ride sharing and public transport (due to the pandemic) and towards owning a vehicle.

Auto-component Industry

The Indian auto-components industry comprises of various product segments, such as lighting, lamps, fasteners, castings, suspension and braking parts, valves, steering parts, engine parts, electrical, weather strips, forgings, pistons, carburetors, axles, clutches, gaskets, chassis, and shock absorbers among others.

The industry has experienced healthy growth over the last few years, expanding at a CAGR of 6% from FY16 to FY 2019-20 to reach USD 49.3 Billion in FY 2019-20. The industry is expected to reach USD 200 Billion by FY 2026. 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. In November 2020, Union Cabinet announced PLI scheme in auto and auto components industry, over a five-year outlay, of ₹ 57,042 Crore.

Annexure – A (Contd.)

Automobile components export from India are expected to grow 23 % annually to reach USD 80 Billion by 2026. India's export of auto components increased at a CAGR of 7.6% during FY 2015-16 to FY 2019-20 as the value increased from USD 10.83 Billion in FY16 to USD 14.5 Billion in FY 2019-20, and exports is expected to comprise 26% of the industry by 2021. India is geographically closer to key automotive markets like Middle East and Europe, as compared to competitors. Being the world's second largest steel producer, India has an inherent cost advantage.

Outlook

Increasing investments by the Government of India in road infrastructure, is expected to further boost this growth. Digitalization in vehicles, in terms of Electric Vehicles, Hybrid Vehicles, and Self-Driving Vehicles, are likely to be the key focus areas for OEMs post Covid-19, given the changing preference for personal cars rather than shared vehicles, due to the pandemic.

(Source: www.business-standard.com)

OPPORTUNITIES

Rising Income Levels

Rising income levels and thus exponentially rising discretionary expenditure, coupled with the low car penetration rate in India, is expected to result in growth opportunities for the automotive industry. As more and more middle class Indian households aspire to own a car, the automotive sector is likely to experience a tailwind.

Rising Road Connectivity

Road transportation has gradually increased over the years with improved connectivity between cities, towns and villages in the county.

In the Union Budget 2021, the Honorable Finance Minister announced an investment of ₹ 1,18,101 Crore (USD 16.20 Billion), towards road transport and highway sector (Source: https://www.ibef.org/industry/infrastructure-sector-india.aspx). This is expected to indirectly boost automotive sector growth.

Electric vehicles

There has been tremendous growth in electric vehicles, on account of environmental factors as well as declining cost of batteries. EVs are likely to expand the overall industry, and thereby improve growth prospects.

Value Migration from China to India

Post the Covid-19 pandemic, the world is seeing anti-China sentiments, as evidenced by trade bans, border clashes, and banning of Chinese mobile applications. India will be the biggest beneficiary of this, rather than other Asian nations, owing to surplus availability of labour, suitable manufacturing conditions, low wage costs and abundance of raw materials.

THREATS

Discretionary Nature of Industry

The automotive and automotive component industries are inherently cyclical in nature, owing to their discretionary status. This makes the industry vulnerable to a downturn, in case of a rise in unemployment, or a decline in income levels.

Third Wave of Covid-19

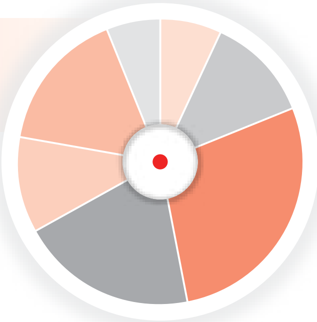
A third wave of the virus could adversely affect the demand trends in the domestic automobile industry, due to lower discretionary spending, on account of lower per-capita income.

Business Overview

Founded in the year 1981, Lumax Auto Technologies Limited is a part of the Lumax-DK Jain Group and has carved its strong position in Auto Component industry. Having four decades of existence, LATL has emerged as a preferred supplier to leading OEMs across two wheelers, three wheelers and four wheelers automotive segments. It has 9 State of the art manufacturing facilities spread across 4 states and 6 international partnerships. Our partnerships with global giants such as Mannoh (Japan), Yokowo (Japan), JOPP (Germany), Cornaglia (Italy), FAE (Spain) and Ituran (Israel), make us among the leading automotive component manufacturers in the country. With advanced technologies related to safety sensors, telematics, fleet management, auto cruise, navigation, parking assistance, infotainment and anti-theft systems expected to drive growth in the coming years, LATL has strongly positioned itself to offer advanced solutions to its customers. Our product portfolio comprises of Integrated Plastic Modules, Chassis, Two/Three Wheelers Lighting, Gear Shifters, Emission Systems, Oxygen Sensors and After Market Division.

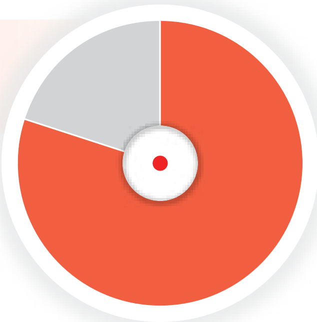
Annexure – A (Contd.)

Product-wise revenue mix FY21



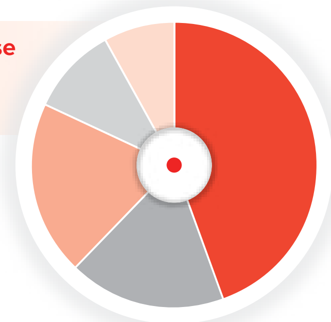
Product	%
Emission Systems	7%
2/3W Lighting	12%
Integrated Plastic Modules	28%
After Market Division	20%
Gear Shifter	11%
Chassis	16%
Other Misc.	6%

Channel-wise revenue mix FY21



Channel	%
OEM	80%
After Market	20%

Segment-wise revenue mix FY21



Segment	%
2/3-Wheeler	45%
Passenger Car	18%
After Market	20%
CV	10%
Others	7%

Financial Performance

The Company, on a consolidated basis, registered a revenue of ₹ 1,10,792.85 Lakhs in FY 2020-21 down by 2.89% against the consolidated revenue of ₹ 1,14,091.38 Lakhs in FY 2019-20. The Company reported EBITDA of ₹ 11,610.52 Lakhs in FY 2020-21 as against ₹ 10,875.45 Lakhs in FY 2019-20. The Profit After Tax and Minority Interest from continuing operations stood at ₹ 4,712.96 Lakhs in the FY 2020-21 as against ₹ 4,978.60 Lakhs in FY 2019-20. Similarly, EPS stood at ₹ 6.91 in FY 2020-21 as against ₹ 7.30 in FY 2019-20 on the face value of ₹ 2 per equity share.

Debtors Turnover	FY 2019-20	FY 2020-21	% change
Based on year closing data	6.98	5.86	-16

Reason: Lower Sales in month of March 2020 due to Covid-19

Inventory Turnover	FY 2019-20	FY 2020-21	% change
Based on year closing data	11.99	8.98	-25

Reason: Negligible Sales in Q1 FY 2020-21

Creditors Turnover Ratio	FY 2019-20	FY 2020-21	% change
Based on year closing data	5.79	4.33	-25

Reason: Less Purchase in month of March 2020 due to Covid-19

Interest Coverage Ratio	FY 2019-20	FY 2020-21	% change
Based on year closing data	7.76	8.34	7

Reason: Increase in operating profit

Current Ratio	FY 2019-20	FY 2020-21	% change
Based on year closing data	1.29	1.30	1

Reason: No significant change

Debt (Long Term) Equity Ratio	FY 2019-20	FY 2020-21	% change
Based on year closing data	0.05	0.05	0%

Reason: No change

Operating Profit Margin	FY 2019-20	FY 2020-21	% change
Based on year closing data	6.51	7.40	14

Reason: Cost Optimization during the year.

Net Profit Margin	FY 2019-20	FY 2020-21	% change
Based on year closing data	4.36	4.25	-3

Reason: No significant change

Details for Changes in Return on Net Worth:

Return on Net Worth	FY 2019-20	FY 2020-21	% change
Based on year closing data	11.16%	8.88%	-20

Reason: Due to adoption of lower tax rate in FY 2019-20.

Annexure – A (Contd.)

Risks and Mitigation

The objective of our risk management activities is to recognize, assess and manage risks early on, and to implement appropriate measures to mitigate them. Risk management at Lumax is a continuous process of analysing and managing all the risks posed to the business. Many risks are affecting the smooth functioning of the Company's operations.

Risk	Impact	Mitigation
Competition risk	A rise in competition could negatively impact our market share, margin profile, and return on capital employed.	Being the market leader in gear shifters, our technological expertise, strategic alliances and long-standing customer relationships help us mitigate this risk.
Foreign currency exchange rate risk	1% of our revenue comes from exports, and 1% of our raw material comes from overseas.	We mitigate this risk by way of our robust foreign exchange hedge mechanism and systems, such as forward contracts, futures contracts, options, and swaps.
Raw material price risk	India's Wholesale Price Index inflation hit an 8-year high, at 7.39% in March 2021. Any further increase in steel prices could adversely impact our margin profile.	The Company has ongoing improvement initiatives, like conversion cost reduction, supply chain efficiency improvement, and material yield improvement.
Labor disputes risk	Industrial disputes lead to industrial action which impacts our ability to meet clients' demand.	We maintain an open and positive relationship with all the employees, subcontractors, workers, etc. with constant and continuous communication.
Customer concentration risk	Top 3 customers account for 66% of total sales.	We mitigate this risk by strengthening customer relationships, increasing wallet share and gradually diversifying our client base by adding new clients.

Significant Development in Human Resources

At Lumax, people are our key differentiators. It is their determination, dedication and dependability that gives us a competitive advantage. We focus on bringing talented people on-board, sharpen their skills through training and motivate them to collaborate and innovate with experts to upgrade their skills. Our team is dynamic and diverse and we value the suggestions of every individual.

Last year, we successfully rolled out key HR initiatives and talent management practices. These reinforced the principles to help employees realize their potential.

- Motivating workforce to deliver quality output
- Building a culture of participation that will enable us to relish our customers
- Promoting the culture of innovation and belonging to help make a difference

For the overall development of employees, training and skill development is very important. A comprehensive training structure is laid down for all employees. In addition to the induction training, regular training on job-related modules is also provided to help employees improve continually in the performance of their duties. Such initiatives help attract and retain best talent across the industry. The strength of the group thus lies in working and growing together as a team.

Quality Control Circles constitutes an essential part behind the growth of Lumax. It has helped in the overall development of numerous employees. The practice of Quality Control Circles connects people, processes and products to deliver noteworthy results. Kaizen, Quality Circles, Total Productivity Maintenance, Total Quality Management, 5-S, 6 sigma, 7-W and other international shop floor improvement initiatives are adopted and followed to enhance processes and productivity. The total number of employees as on March 31, 2021 were 2,786.

Environment, Health, Safety

The Company focus on "Safety Culture Building" by maintaining the "Safety Management System" to reduce the risk of incident and Injuries. This system includes safety rules, safety procedures, safety training, hazard identification, correction, Near miss incident Capturing and investigation, Safety Management System contribute, not only to improve the workplace Safety, but it also influence the organization Safety Culture.

Annexure – A (Contd.)

Apart from the above, your Company has also performed below activities in FY 2020-21 sincerely:

1. Hazards identification and Risk assessment of Machine
2. Safety Gemba Audit and monitoring all critical Points
3. Regional Safety Meeting at all regions
4. KYT - Kiken Yochi Training (Identifying hazard and taking corrective measures with the help of actual users)
5. Hazards specific Safety training (Fire Fighting, First Aid, Electrical Safety, Chemical & Machine Safety & Evacuation Drill)
6. Prepared Safety manual for Standard Operating Procedures
7. Identified probable emergency and prepared Emergency Response Manual
8. Prepared standard KYT Manual
9. Comprehensive review / surveillance audit done as per ISO 14001:2015 (Environment Management System) and IS 45001 (Occupational Health & Management system)

From the last three years, the Company also commenced the Fire Risk Assessment Audit for Tier-2 (53 Nos) Suppliers to reduce the fire related incident and achieved significant OK result, and also started the Safety Audit from last year for Tier-2 (9 Nos) suppliers to reduce the human injury and also monitoring the injury status, Delivered the awareness program to the suppliers related to Fire, Electrical and Fire Mock drill.

By ensuring all the above, zero accident level is maintained for last three years. Induction programme & regular training of employees and the introduction of formal safety management system help the Company to mitigate future incidents.

Internal Control Systems

The internal control structure is designed to operate as a well-integrated system. It comprises regular risk assessment, mitigation and monitoring. The Company first identifies key business risks using its analysis and then takes mitigating steps towards the same. The Company's internal team and an independent internal audit firm keep a close eye on business operations. Deviations, if any, are immediately brought to the notice of the Management and Audit Committee for timely action and correction. Well-documented policies and procedures enable the Company to strictly adhere to all applicable procedures, laws, rules and statutes. The Company's robust IT systems safeguard its sensitive data and ease out audit process. Accounting Standards are strictly followed while recording transactions. A host of strategies are devised in addition to robust MIS systems, for real-time reporting, so as to control expenses. Any variance from budgetary allocations are promptly reported and corrected to ensure strict compliance.

Cautionary statement

Statements in the Management Discussion and Analysis Report describing your Company's projections, estimates and expectations may be interpreted as "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to its operations include economic conditions affecting demand/supply, price conditions in the domestic and international markets in which it operates, changes in Government regulations, tax laws and other statutes. Your Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events.