



CHAIRMAN'S MESSAGE



Dear Shareholders,

The F.Y. 2020-21 was eventful and most challenging in terms of humanity as well as at economic activities. Let me begin by extending my sincere concern towards all those who have been impacted by this pandemic. I am deeply worried and pray to God to ease the situation and face the challenges posed with combined strength. I would also take this moment to extend my deepest condolences to the families of the departed souls across the nation, who lost their lives in this pandemic and pray for the well-being of their families.

I hope and believe that we shall come out of this pandemic with strong force and grit.

Global and Domestic Economic Affairs

The outbreak of the Covid-19 pandemic is an unprecedented shock to the entire world, including Indian economy. The world trade was already in a parlous state before Covid-19 struck, however during the second wave, the situation got worsened. The global pandemic has turned into world's blistering hotspot of pandemic with virulent whirlwind crippling the life.

The Covid-19 pandemic is inflicting high and rising human costs worldwide. Protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activities.

There is an extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions

of the dramatic tightening in global financial market conditions, shifts in spending patterns and volatile commodity prices. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals and a collapse in commodity prices.

Effective policies are essential to forestall worse outcomes. Necessary measures to reduce contagion and protect lives will take a short-term toll on economic activity but should also be seen as an important investment in long-term human and economic health. The immediate priority is to contain the fallout from the Covid-19 outbreak, especially by increasing health care expenditures to strengthen the capacity and resources of the health care sector while adopting measures that reduce contagion. Economic policies will also need to cushion the impact of the decline in activity on people, firms and the financial system, reduce persistent scarring effects from the unavoidable severe slowdown and ensure that the economic recovery can begin quickly once the pandemic fades.

As a result of the pandemic, the global economy is projected to contract sharply to almost 4% in 2020, much worse than during the 2008–09 financial crisis. The contraction for 2020 is 1.25% points smaller than projected in the October 2020 World Economic Outlook (WEO), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses. Similarly, output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Income inequality is likely to increase significantly because of the pandemic. Moreover, learning losses have been more severe in low-income and developing countries, which have found it harder to cope with school closures. In a baseline scenario, which assumes that the pandemic fades in the second half of 2021 and containment efforts can be gradually unwound, the global economy is projected to grow by 6% in 2021 as economic activity normalizes, helped by low base and policy support by respective governments.

Unfortunately, the other contributors of slow growth in international trade prevailing in the previous years are common beside the severe impact of Covid-19 such as sluggish investment, low reforms, availability of capital, geo-political cross border tensions, trade war between world's biggest economy and terror-activities.

India amidst the ongoing pandemic is audaciously moving forward by taking all possible measures to combat this lethal virus. The second wave is very different from the first wave with exponential spread of disease and painful loss of several lives. After one full year from the time when stringent lockdown was first put in place, various States had to again impose restrictions, curbs and curfews to restrict interaction as a measure to stop spread of the disease, which mounted 4 lac a day during its peak. Disruption of work, academic pursuits and loss of employment/professional opportunities are a few concerns which many people in economy are facing.

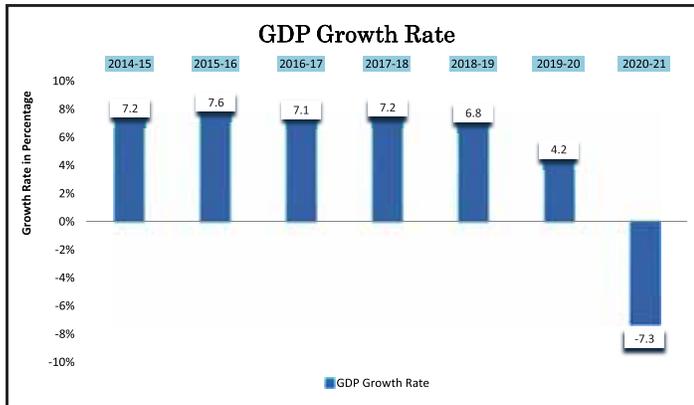
There are various measures that India as a country taking to curb the spread of the Pandemic, including the complete lockdowns. Fortunately, various measures undertaken by government till now are bringing positive results and in the past few days there has been gradual reduction in number of daily Corona positive cases.

During previous year, India's economic slowdown showed good signs of abating, with a sizeable number of indicators of domestic demand flashing green during Q3 and Q4. Consumption has always been a strong and major driver of growth in the economy. The overall scenario remained



unchanged despite some improvement on the external front largely because of fresh incoming data on the current account balance trade as a share of GDP, which narrowed sharply to around \$ 100 Bn.

Despite the above and headwinds from almost three years, India still have the potential to have the tag of the fastest growing economy. India's gross domestic product (GDP) is estimated to have contracted to have record low of 7.3 % in F.Y. 2020-21, mainly due to reasons discussed above in my report from 4.2 % in F.Y. 2019-20. This is nevertheless a marginal improvement from the earlier estimates of 8% to 14% by different organisations.



The uptick was mainly in third and fourth quarters driver by manufacturing in addition to the agricultural activities, though the service sector remained sluggish.

After a long period of strong control by government, the inflation is increasing, causing another reason of concern. On the other side, even after having great concerns, Indian foreign exchange reserves stood at \$ 618 bn with per capita income at \$ 2,191.

The long term growth prospects of the Indian economy remain positive due to the strong demand post listing of lockdowns, robust vaccination programs, people understanding their obligations towards covid appropriate behaviour, supportive fiscal policies, various reforms including the "Atma Nirbhar Bharat" launched by the government. Improved business processes also make a difference for doing business in India. India is now at the 63rd position as per World Bank's Ease of Doing Business rankings.

Fiscal Policies Going Forward

We have discussed the impacts of pandemic on the entire globe. The growth of emerging & developing economies were brought to halt due to sluggish investment and risks. These risks include rising trade barriers, renewed financial stress, currency depreciations as well as sharper than expected slowdowns in several major economies. Sharp currency depreciations are more common in emerging and developing economies like India than in advanced economies and central banks are often required to respond to these fluctuations to maintain price stability.

To my view, future developments will depend on the path of the health crisis, including whether the new Covid-19 strains prove susceptible to vaccines or they prolong the pandemic, the effectiveness of policy actions to limit persistent economic damage, the evolution of financial conditions and commodity prices and the adjustment capacity of the economy. The flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring across countries. In many aspects, this crisis is unique.

Considering the large uncertainty surrounding the outlook, policymakers should prioritize policies that would be prudent, regardless of the state of the world that prevails, such as strengthening social protection with wider eligibility for unemployment insurance to cover the self-employed and informally employed, ensuring adequate resources for health care, early childhood development programs, education and vocational training and investing in green infrastructure to hasten the transition to lower carbon dependence. Moreover, they should be prepared to flexibly adjust policy support.

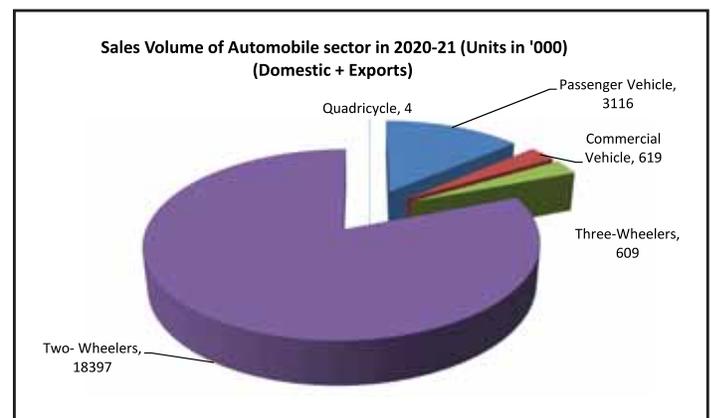
Indian Automotive Sector and Future Outlook

The Automobile Sector in our country is one of the major contributors in manufacturing and nation GDP. It is also providing employment to over 30 million people through direct/indirect opportunities. India has become a preferred place for world OEMs for production of their vehicles due to many cost benefits, such as skilled labour, availability of raw material and world class equipment beside incentives and encouragement from the State and Central Government.

Given the current scenario, the automotive industry under performed in F.Y. 2020-21; the situation improved in the second half, in which the Two wheeler as usual took the lead. As I referred in previous messages, not only the Indian auto industry but the entire industry at the world level needs to prepare itself for a paradigm shift and be agile and flexible to face growing uncertainties in various spheres. The industry is at an inflection point where both opportunities and challenges abound in equal measure and will shape the direction of future events in the industry, including smooth transition to EV.

According to the data released by SIAM, in F.Y. 2020-21, the industry manufactured a total 22,652,108 vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycles, recording a decline of 14.04% over the previous year (26,353,293 vehicles). The production trends reveal that there is negative growth in all categories from passenger vehicles, commercial vehicles to two wheelers.

In terms of total sales including both domestic and export, the industry sold a total 22,744,516 vehicles in F.Y. 2020-21; out of this passenger vehicles declined by 9.31% (3,115,857 vehicles). Also, in commercial vehicle, there is a degrowth by 20.45% (618,893 vehicles). Scooters/ Scooterette sales declined by 20.62% (4,711,820) while all time favourite, Motorcycles and Mopeds also registered a negative growth of 9.00% (13,057,275 vehicles) and 3.86% (625,560 vehicles) respectively, taking the total two wheeler sales decline to 12.13% (18,397,111 vehicles) for the year. Also in Quadricycle vehicle category, there was decline of 42.60% from 6127 vehicles to 3517 vehicles in this financial year.





Due to the disruption caused by Covid-19 pandemic, the overall automobile exports declined by 13.05% (4,128,928 vehicles). Passenger vehicles and commercial vehicle export decreased by 38.92% (404,400 vehicles) and 16.64% (50,334 vehicles) respectively. The exports of three wheelers declined by 21.67% (392,941). Similarly, export of two wheelers decreased by 6.87% (3,277,724 Vehicles).

As per the current data, automakers are counting on a rebound towards from Q2 onwards and foresee strong growth with easing of lockdown and the support of demand. Those hopes rest in large part on the expectation that the distribution of Covid-19 vaccines will accelerate in the coming months after a slow start in the recent weeks. I also expect that slowing spread rate and restarting of economic activities, supported by government should enable consumers and businesses to return to a more normal range of activities, lifting the job market, consumer sentiment and auto demand.

Company Performance and Strategy

Till the Q1, we were in depressing state, due to the complete stoppage of business. However, as the time progressed, we worked very hard and God has been kind to us that the demand started showing growth. We responded in the same manner and due to our manufacturing excellency, we were able to sail through the tough time. Each one in the organisation contributed for the conservation of cash. Whole Time Directors renounced commission for the previous year, further did not draw any remuneration for the first half of the period under review and staff also agreed to sacrifice their part salaries. Achieving our goals with discipline has been our unchanging focus.

I am happy to share that your Company together with its subsidiary companies in US and Canada have done well in all spheres, despite the tough time due to Covid-19. We were able to match the previous year turnover and record profits, mainly due to our operational competence.

To make up the gap, your Company, in addition to tapping new markets, will leverage its position by building its relationships with its existing and new customers and focus on product development. Some new products are also under development in the field with the Company's expertise in gear & transmission manufacturing.

To summarise the financial results for the year F.Y. 2020-21, I must mention that there was growth in all the key areas. The standalone turnover of the Company grew marginally by 3.31 % and touched ₹ 5,326.38 million. As a result of this and our enhanced operating efficiencies, the standalone profit before tax grew even higher to ₹ 496.40 million. After consolidating the financials of the Company with its subsidiaries, the consolidated turnover stood at ₹ 7,560.33 million. Impressed with the performance, the Board have recommended a final dividend of 20% for your approval with a total

payout of ₹ 37.53 million.

In F.Y. 2020-21 the Company had an export income of ₹ 1,245.65 million (standalone), which was decreased by 6.65% over the previous year due to obvious reasons explained in this message. The export programs are also expected to gain momentum in coming years. Going forward, the overall focus will continue to be on manufacturing excellence and quality at optimum costs.

The Company continues to focus on cost reduction efforts and make improvements in operational efficiencies as well as value engineering activities to improve margins. Additionally, your company has made its mark as a leader of sustainable manufacturing. Our state-of-the-art plants In Bhiwadi and Manesar are capable of manufacturing world class equipment.

It is now in the process of establishing another vertical which is part of a Global Value Chain (GBV) with an enlarged base and operations in an important and essential geography. With presence in other geographies, your Company's customer base and product portfolio have been further strengthened.

With the second wave abating in most parts of the country and state governments lifting the restrictions in phases, there are visible signs of economic rejuvenation since the second half of May. To conclude, I say that the economy and society are at a crucial inflection point where sustenance of economic recovery, vaccination progress and Covid-19 appropriate behavioural strategies are needed in close synergy with each other.

We are sure that India will also be able to withstand the economic fallout of the pandemic. Indian Economy is one of the most resilient, adaptable and robust economies, across the length and breadth of the globe with its indomitable spirit, fierce will and firm economic foundation. It has not only emerged as the fastest growing emerging nations but also paved its way to the fast recovery.

I, on my behalf and on behalf of my colleagues on the Board would like to thank and record our sincere gratitude to all our stakeholders for the confidence & trust reposed upon us and our deep appreciation to all employees of the Company for their hard work, commitment and whole hearted support for achieving company's goals and targets. I further thank all our customers, our supply chain partners and our bankers for reposing their confidence & support in us.

Deep Kapuria
Chairman