

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

*Pursuant to Regulation 34 read with clause B of Schedule V of the SEBI (LODR) Regulations 2015  
(Forms an integral part of Board's Report)*

## INDUSTRY STRUCTURE AND DEVELOPMENT

With the increasing growth in demand on back of rising income, expanding middle class and young population base, in addition to a large pool of skilled manpower and growing technology, will propel India to be among the world's top three auto-producers by 2026 as per AMP-2026. The latest budget India's CAD has also come down to 0.3% of GDP in first half of 2016-17 as against 1.0% GDP of last year 2015-16.

CPI based inflation declined to 3.4% in December 2016 from 6% in July and 5.4% in financial year 2015-16. Foreign exchange reserves of were at the highest ever level of about 361 billion US dollars on January 20, 2017 as against 350 billion US dollars in last fiscal year 2015-16, in spite sharp decline in Foreign Investment in overall world.

Economic Growth rate forecast was revised to 7.1% from 7.6 % due to war against corruption initiated by the Government of India on November 08, 2016 in form of demonetization due to which 86% of India's currency in circulation was abolished its legal tender; However in first quarter of financial year 2017-18 The Indian economy advanced growth rate of 6.1 percent year-on-year, slowing sharply from a 7 percent expansion in the previous period in the year 2016 and well below market expectations of 7.1 percent. It was the lowest growth rate since the last quarter of 2014, due to a slowdown in consumer spending and a drop in investment, following the demonetization program. In addition, the government changed the GDP base year for 2011-2012 from 2004-2005.

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 per cent of the India's Gross Domestic Product (GDP) as per AMP 2006-2016. For the last few years the Auto Industry has been going through low sentiments. Despite the meager growth in past, the automotive market is expected for steady growth in the coming years.

Auto Sector is a major employment generator, GDP contributor, FDI earner and major instrumental in shaping the Indian Economy and one of the important contributors for all success of Make in India initiative of Government of India. In order to furtherance of structured Growth of Automotive Industry, the requirement of stable policy of Government of India is needed. The collective efforts of Government of India (Government) and Indian Automotive Industry Automotive Mission Plan-2016-2026(AMP-2026) was framed with aim:

- To propel Indian Automotive industry to the engine of the make in India program, which is expected to contribute in excess of 12% of India's GDP.
- To make Indian Automotive industry a significant contributor to Skill India program which resulted to make this sector one of the largest job creating engine in Indian economy by creating 65 million additional job by 2026.
- To seeks enhancing universal mobility for every person in the country, with eye on environmental protection, affordability through both public and personal transport.
- To increase the export of vehicle by 5 times and component by 7.5 times and in next 10 years the Indian Automotive Sector becomes one of the major automotive export hub in the world.
- To provide comprehensive and stable policy for development of Automotive industry.

**As first AMP-2006-16 had come to end in the year 2016**, it is pertinent for us to highlight its achievements, which are as under:

- The Automotive Industry has achieved the target of incremental job creation of 25 million over the past.
- India has attracted significant quantum of investment from Global and local OEM as well as components manufacturer, exceeding the target of Rs.1,57,500/- crores.
- While domestic sale volume target of commercial vehicles, passenger vehicles and tractors have achieved however there are decline in sales volume by the components, two and three wheeler manufacturers as compared to target set.

India has implemented Bharat Stage –IV (BS IV) emission norms with effect from April 01, 2017. AMP-2026 set the target that BS-V emission norms may be adopted by India in year 2019 for new models and BS-Vi to be adopted by 2023 for four wheeler vehicles.

AMP 2026 recognizes the clear roadmap of safety norms over next decades, which makes India to comply with Global Standard of safety.

In addition to framing of AMP-2026, Government of India has taken several others initiatives in recent for Automotive Sector, which are as under:

Introduction of a new Green Urban Transport Scheme with a central assistance of about Rs 25,000 crores (US\$ 3.75 billion), aimed at boosting the growth of urban transport along low carbon path for substantial reduction in pollution, and providing a framework for funding urban mobility projects at National, State and City level with minimum recourse to budgetary support by encouraging innovative financing of projects.

- To promote eco-friendly cars in the country i.e. CNG based vehicle, hybrid vehicles, and electric vehicles and also made mandatory of 5 per cent ethanol blending in petrol.
- The Government has formulated a Scheme for Faster Adoption and manufacturing of Electric and Hybrid Vehicles in India, under the National Electric Mobility Mission 2020 to encourage the progressive induction of reliable, affordable and efficient electric and hybrid vehicles in the country.

Auto industry has attracted Foreign Direct Investment (FDI) worth US\$ 15.79 billion during the period April, 2000 to September, 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

Through the period when growth had slowed down and the economy was not very favorable, Maruti sustained its position as the market leader and continued to grow and this is attributable to higher localization, favorable foreign exchange and cost reduction initiatives by the Company. Maruti expects Indian passenger car market to reach four million units by 2020, up from 1.97 million units in 2014-15.

## OPPORTUNITIES AND THREATS

### **a) Opportunities**

The Indian automobile industry has tremendous potential to grow. India is very cost sensitive market and has an edge in cost over the European market. Keeping in view of the potential in Indian Market all leading automotive manufactures are launching new models in the Indian Market and also shifting their focus from import to localizing their parts to take the advantage of cost reduction and avoid forex fluctuation. It is expected that in the coming years India will be one of the top five vehicle manufacturing nation. It is emerging as global hub for auto component sourcing.

## **b) Threats**

The potential in automotive segment has to overcome the following challenges:

1. The industry is facing the low liquidity
2. Increasing Cost of Input
3. Growing competition at domestic as well as overseas market
4. Still High Interest Rates
5. Lack of proper infrastructure
6. Government Fiscal policy and impact after implementation of GST.
7. World economy faces considerable uncertainty, in the aftermath of major economic and political developments
8. Pressures for protectionism at global

During the year, your Company focused its attention on long term initiatives despite challenging market situations, with special focus on Research and Development.

## SEGMENTWISE PERFORMANCE

The Company is in the business of manufacture of high tensile fasteners. Since the Company is operating in a single line of product, there are no reportable primary segments.

Domestic sales were at Rs.251 crores as against Rs.279 crores (approx.) in the previous year in the light of increase in sales of heavy and medium commercial vehicles, passenger vehicles and two/ three wheelers. There was a steep drop in production of light commercial vehicles and tractors. It is expected that the total Domestic sales in Financial Year 2017-18 will grow by 29% on present sale of Rs. 251 crores.

Global economy recovered modestly though not uniformly across all regions. Global markets continued to be hit by recession and negative sentiments. Exports were decreased to Rs.7.45 crores in the year 2016-17 as against Rs.30.85 crores (approx.) in the previous year.

## OUTLOOK

The new Government having full majority has clearly indicated its agenda for reviving of growth trend in India. The Automotive Industry accounts for 45% of India's manufacturing GDP, 7.1 of India's GDP and employs about 19 million people both directly and Indirectly.

India is currently the sixth largest producer in the world with an average annual production of 24 million vehicles, of which 3.64 million are exported and as per AMP 2016-26 it will be among the world's top three auto-producers by 2026. Indian Automotive industry is expected to contribute in excess of 12% of India's GDP and will create 65 million Additional Job by the year 2026.

Government of India recently has taken numbers of reforms and one of the important reform since independence is passing of GST law in the Country and decided for implementing of GST with effect from July 01, 2017 which will make India as a market where one country one tax concept become true, which is expected to decrease inflation and make goods for common man cheaper, and attract FDI boost Auto Sector Industry as well as generate new employment both in manufacturing and Service sector.

## RISK AND CONCERNS

The Company is exposed to external and internal risks associated with the business. The Company's growth is dependent on its customers majorly from the Indian Automotive Industry, which is facing a low phase for the last few years. However the Company has widen its operations in terms of product portfolio, customer base and geographical segment.

The Company is also facing stiff competition from domestic and overseas as well as facing financial crunches. Your Company has an established name in the market and has enough strength in terms of product range, capacity and high standards for quality to face the competition.

Financial risk in terms of increased interest rates, foreign exchange rates, increase in commodity prices are also a concern for the Company. Though the Company always cautious for such concerns and time to time review its policy to check these concerns.

Your Company is well equipped to face all kinds of risk and concerns, and confirm that the Company has a policy on foreign exchange risk management in place which is periodically reviewed by Audit Committee and Board of Directors.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, reported and recorded correctly. Further internal audit covers all the areas e.g. Finance, Production, IT, HR, Purchase, Statutory Compliance etc. and regular audits are conducted by Internal Auditors. The Audit observations are periodically reviewed by the Audit Committee of the Board of Directors and necessary directions are issued, wherever required.

## FINANCIAL PERFORMANCE

The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Account and other financial statements forming part of this Annual report. For financial highlights please refer heading 'FINANCIAL RESULTS' of Board's Report.

## MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The Company believes that the employee is the first customer an organization has to win, and to fulfill this purpose it is important to have a team whose members are well conversant with both technical and commercial knowledge.

Being a manufacturing Company, workers form an important link in the chain of growth. A congenial atmosphere has been created at the shop floor level and all facilities required for a secure and cordial environment are provided. Management at all level takes care of the interest of the workforce and frequent interactive sessions are conducted throughout the year.

Your Company continues to reward to its talented employees at all levels to recognize every effort made towards improvement in the workplace through Kaizen, Quality Circles, TPM, TQM, 5S activity and individual/team contributions.

The employee-management relations have remained positive throughout the year. Initiatives are being taken to enhance the productivity of employees. Total employee strength of the Company is about 954 people employed in manufacturing plants and branch offices across the Country. The team of employees consists of people who are experts in their respective and allied fields.

**Note:**

References were taken from AMP-2016-2026, key features of budget of 2017 as available at <http://indiabudget.nic.in>, writes up available at <http://www.makeinindia.com>, <https://www.ibef.org>, and <http://www.siamindia.com/>

**CAUTIONARY STATEMENT**

Statements in the 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. The actual results could differ substantially or materially from those expressed or implied. The important developments that could affect the Company's operations including demand and supply situation in the automobile sector, input prices and their availability, significant changes in the government policies/ regulations and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations, interest cost and other factors. Therefore, all concerned should bear all above factors in mind

**DECLARATION REGARDING ADHERENCE TO THE CODE OF CONDUCT**

To  
The Board of Directors  
Lakshmi Precision Screws Limited  
46/1, Mile Stone, Hissar Road  
Rohtak – 124001. (Haryana)

I, Lalit Kumar Jain, Chairman & Managing Director of the Company hereby certify that the Board of Directors and the Senior Management Personnel have affirmed compliance of the Code of Conduct of the Company for the Financial Year 2016-17.

PLACE:  
AUDITOR: NEW DELHI  
BOARD: ROHTAK  
DATED: 20TH JUNE, 2017

for LAKSHMI PRECISION SCREWS LIMITED  
SD/-  
LALIT KUMAR JAIN  
Chairman & Managing Director  
DIN: 00061293