

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Indian Economic Scenario

GDP is estimated to have grown at 8.6% in 2010-11. Agriculture sector has recorded a growth of 5.4% while industry has grown by 8.1% in 2010-11. The Planning Commission is aiming an economic growth rate of 9 - 9.5% for the 12th Five Year Plan (2012-17). According to a report by global consultancy firm PricewaterhouseCoopers (PwC), India could become the world's third largest economy by purchasing power parity (PPP).

Indian Automobile Sector Scenario

The cumulative vehicle production data for April-March 2011 shows production growth of 27.45 percent over same period last year. The share of production of two wheelers, passenger vehicles, three wheelers and commercial vehicles were 75 percent, 17 percent, 4 percent and 4 percent respectively.

The growth rate recorded for Domestic Sales of vehicles for 2010-11 was 26.16 percent.

During April-March 2011, overall automobile exports registered a growth rate of 29.64 percent.

Indian Auto Component Industry Scenario

The turnover of Indian auto component industry is around US \$ 26 billion with a investment of US \$ 12 billion and recorded a Compounded Annual Growth Rate (CAGR) of 21% during the year 2010-11

Poised to grow by over four-fold to US \$ 113 billion by 2020, the Indian auto component industry is one of the front runners for grabbing the global auto components outsourcing market. India's share in world Auto Components is expected to grow over 2.5% by 2015.

The total passenger car production in the country will jump four times to reach 9 million cars by 2020, according to Automotive Component Manufacturers' Association (ACMA). Although a major chunk of this will come from the fast growing domestic market, exports are likely to form around 35 per cent of the total market by 2020. It is

expected that India would be among the top-five vehicle producing countries in the world by 2020.

The report states that 40 per cent of the Auto Component Industry was dominated by body and structural products in 2009, 20 per cent by engines and exhaust and 10 per cent each by suspension and braking parts, transmission and steering parts, electronics and electrical and interiors.

By 2015, body and structural will account for 35 per cent of the Auto Component Industry, engines and exhaust 20 per cent, suspension and braking parts, transmission and steering parts and electronics and electrical will account for 13 per cent each and interiors 9 per cent.

The Indian automotive component industry manufactures a wide range of parts including castings, forging, finished and semi-finished components, assemblies and subassemblies. Its development has been aided by the arrival of OEMs to India and the increasing exposure of Indian companies to international competition and best practices.

Outlook

India's automotive components industry is being urged by the government to partner with overseas firms with the aim of making India a platform for outsourcing as well as a global R&D hub. As the Indian vehicle production industry has grown, so has the domestic supplier industry. But the global auto industry's search for lower cost and more international outsourcing has led to a sharp growth in component output and exports in recent years.

Some of the companies such as GM, Ford, Daimler Chrysler, Valeo, Delphi, Magna, Honda, Caterpillar, Hyundai and Toyota, see India as a cost competitive base for parts sourcing and has established their design centers in India.

Factors such as superior engineering skills, modest domestic market growth, the sophistication of its IT industry and increasing free trade agreements in addition to low cost, are expected to boost India's auto-component sector growth over other countries in the environment of off-shoring to low-cost countries.

Further, the positive demographic factors, stable macro-economic environment and pro-reform policies of the government saw almost all major global auto players making their way into India. The intense competition has compelled the manufacturers to launch the latest global offering in India as early as possible. It has also enabled to keep the prices of the vehicles under check. The consumers, in turn, have benefited from wide choice of models, technologically advanced cars and better service from the car manufacturers.

Opportunities and Threats

India has several advantages making it an attractive destination for investment in the automobile sector like

- 1) Low-cost, high-skill manpower with an abundance of engineering talent - the second largest in the world.
- 2) Well developed, globally competitive Auto Ancillary Industry.
- 3) Established automobile testing and R&D centers.
- 4) Opportunity to address the Global Auto Components market while leveraging India's large and growing domestic market.
- 5) High level of sourcing of auto components from Low Cost Countries (LCC's).

In order to face the ongoing challenges, your Company has been continuously making efforts to widen its customer base.

Your Company will focus on expanding manufacturing capabilities, enhancing its Research and Development skills.

Your Company is well placed with having nine existing plants and planning to set up a new project for developing Blow moulded products at Bawal (Haryana), considering the enormous business opportunities in the years to come. The Company has purchased the land there and the construction on the said land has already been started and it is expected that the commercial production of this plant will take place from the month September, 2011.

Your Company is putting its focus on product quality, design, cost reduction, automation, strengthening IT capabilities for design, development and stimulation process.

Risk and Concern(s)

The Company is exposed to external and internal risks associated with the business.

- a) Pricing pressures from OEMs, which in turn are entering into a phase of heightened competitive intensity constraining their pricing power;
- b) Threat of rising commodity prices;
- c) Likely higher cost of funds consequent to rising interest rates; and
- d) Import from other low-cost countries.

In addition, companies engaged in high-growth categories within the auto components industry are expected to incur large capex for manufacturing production

capacities to meet the growing demand, which could affect the capital structure and return metrics of such companies over the short term.

Your Company's established reputation, close customer relationship, ability to provide high level of satisfaction, gives it a competitive edge. In order to address these risks, the Company has implemented adequate risk managed approach.

Your Company is engaged in the manufacturing of automotive components for two wheelers, three wheelers, off road, passenger cars & commercial vehicles parts such as Electrical Switches, Handle Bar Assemblies, Lamps, Batteries, Blow Moulded Products, Electronics Sensors/controllers and Alternate Fuel Kits. All products are carrying similar risk and returns. Hence, there is no separate reportable segment.

The Company has implemented World Class ERP system SAP which integrates all its operations under one umbrella and it helps to achieve the Mission and Vision of the Company.

Company's ongoing efforts on cost reduction, productivity and efficiency improvements in all areas of operations, that should help the Company stay in good stead to continue growing at a healthy rate in the years to come

Internal Control Systems

The Company has adequate internal control systems for assessment and eliminating various kinds of risks which include strategic, operational, financial, environment and reputation risk. Such risks are reviewed at various meetings like internal audit committee meeting and management committee review meeting where members of senior management are involved. The Board also reviews such risks procedures periodically.

The Company also has a proper and adequate system of internal controls for financial reporting of various transactions, efficiency of operations, safeguarding of assets and compliance with applicable statutes and regulations. In order to ensure that all checks and balances are in place and all internal control system are in order, transactions are authorized as per the accounts manual, recorded and reported promptly and correctly.

The audit committee of the Company is reviewing the internal controls including the internal audit reports, financial results of the Company at least once in every four months and provides its support to all operational and finance functions of the Company through regular monitoring and suggestions.

The Company has exhaustive budgetary control system. Actual performance is reviewed with reference to budget by the management review committee on an ongoing basis.

Financial performance with respect to operational performance.

The growth of Auto Component Industry is directly linked with the growth of the auto industry. The automobile industry has reported a 26.61 per cent growth in sales in the year 2010-11.

Your Company has reported sales/turnover of ₹ 91,231 Lacs during the year 2010-11, as against ₹ 59,935 Lacs during the previous year.

Your Company has recorded profit after tax at ₹ 3,484 Lacs for the year ended on March 31, 2011, as compared to ₹ 2,287 Lacs in the previous year.

Your directors recommend:

- 1) Dividend of 30% i.e. ₹ 3/- per Equity Share (previous year ₹ 3/- per equity Share) on the face value of ₹ 10/- each on 12910192 Equity Shares (previous year 105050064 Equity Shares), amounting to ₹ 387 Lacs (Previous Year ₹ 315 Lacs).
- 2) Dividend of 3% i.e. ₹ 0.30 per 3% Cumulative Redeemable Preference Shares of ₹ 10/- each on 35,00,000 3% Cumulative Redeemable Preference Shares, amounting to ₹ 10,50,000/- (previous year ₹ 1,23,699/- on prorata basis).
- 3) Dividend of 3% i.e. ₹ 0.30 per 3% Cumulative Compulsorily Convertible Preference Shares of ₹ 2,187/- each on 1,83,500 3% Cumulative Compulsorily Convertible Preference Shares, amounting to ₹ 1,20,39,435/- (previous year ₹ 1418344/- on prorata basis). These shares have been converted into equity shares effective from 1st April, 2011 and will be eligible for dividend as per the terms of conversion.

The Company, Minda Autogas Ltd. has been amalgamated with Minda Industries Ltd. Vide Delhi High Court Order dated 25th January, 2011. The Amalgamation of Minda Acoustic Ltd. with Minda Industries Ltd. is under process. With these amalgamations, the product range of the Company will be increased and will include Switches, Lightings, Horns, Batteries, Blow Moulded products and CNG/LPG Kits. This will enable the Company to consolidate the financials of these companies under one roof and over all the top line and bottom line will increase.

Human Resources Management System

The Company's HR processes ensure the availability of a competent and motivated team of employees. The Company is providing a fair compensation amongst industry of like nature, a clear career path, reward for performance and regular training and development for each level of employee.

Pathshala - A group learning Centre was established in October, 2008, which imparts training at all level of employees to achieve the Mission and Vision of the Company.

Job enrichment is ensured through job rotation / transfer, so that the employees are motivated and gain experience in different functional areas. Improvement activities through kaizen, quality circle, 5S are being done at all level to improve the productivity and efficiency of the employees.

Industrial relation among employees at all plants of the Company continued to be cordial. The Directors places on record their sincere appreciation for dedicated teamwork by employees at all levels to meet the quality, cost, delivery aspects of customers / OEMs in growing market.

For effective communication among employees across the group companies, your Company publishes an in-house journal titled "Jagriti" to cover important events and achievements across the group. It is an effective tool of communication.

All employees are made aware of and have access to the central database of HR policies covering all aspect of welfare, benefits and administration.

Cautionary Statement

The above statement describing the Company's objective, projections, estimates, expectations or predictions may be forward looking statement within the applicable laws and regulations. These are based on certain assumptions and expectations of future events. Actual results may differ materially from those expressed, implied or written since the Company's operations are influenced by external factors beyond the control of the Company. Company assumes no responsibility to publicly amend, modify or revise any forward looking statement. Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their own judgment in assessing the risk associated with the Company.