ANNEXURE E TO THE BOARD REPORT
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. MARKET TRENDS

Economy - India

The second advance estimates of the NSO released in February 2020 projected India's Q4 GDP growth at 4.7% and 5% growth for full year FY 2019-20. This is now at risk from the COVID-19 pandemic's impact on the economy. While efforts are being mounted on a war footing to arrest its spread, COVID-19 would impact economic activity in India directly through domestic lockdown. Second round effects would operate through a severe slowdown in global trade and growth. These effects and their interactions would inevitably accentuate the growth slowdown, which started in FY 2018-19 and continued through FY 2019-20. *(Source: RBI MPC-Mar'2020)*

On the supply side, the outlook for agriculture and allied activities appears to be the only silver lining, with food grains output being 2.4% higher than a year ago. A pick-up in manufacturing and electricity generation pulled IIP into positive territory in January 2020 after lackluster activity since the start of FY 2019-20. Meanwhile, most service sector indicators for January and February 2020 moderated or declined. Since then anecdotal evidence suggests that several services such as trade, tourism, airlines, the hospitality sector and construction have been further adversely impacted by the pandemic. Dislocations in casual and contract labour would result in losses of activity in other sectors as well. High frequency indicators suggest that private final consumption expenditure has been hit hardest.

Meanwhile, headline inflation stayed above 4%, which is the upper tolerance band of the inflation target from December 2019 to February 2020, led by a spike in vegetable prices. The impact of COVID-19 on inflation is ambiguous relative to that on growth, with a possible decline in prices of food items being offset by potential cost-push increases in prices of non-food items due to supply disruptions.

Domestic financial conditions have tightened considerably, with equity markets facing massive sell-offs by Foreign Portfolio Investors (“FPI”). In the bond market too, yields have risen on sustained FPI selling, while redemption pressures, drop in trading activity and generalized risk aversion have pushed up yields to elevated levels in commercial paper, corporate bond and other fixed income segments. In the forex market, the Indian Rupee (“INR”) has been under continuous downward pressure. Under these conditions, the RBI through its long term repo and open market purchase operations has endeavored to keep financial markets liquid, stable and functioning normally. In the external sector, merchandise exports and imports expanded in February 2020 after several months of contraction. Consequently, the current account trade deficit has narrowed to only 0.2% of GDP.

Central banks across the world have responded with monetary and regulatory measures - both conventional and unconventional. Governments across the world have unleashed massive fiscal measures, including targeted health services support, to protect economic activity from the impact of the virus. To mitigate the economic difficulties arising out of the virus outbreak, the Government of India has announced a comprehensive package of ₹ 1.70 lakh Crore, covering cash transfers and food security, for vulnerable sections of society, including farmers, migrant workers, urban and rural poor, differently abled persons and women. In this backdrop, the IMF expects India's GDP to fall to 1.9% in FY 2020-21 from 4.2% in FY 2019-20.

Economy - World

The global economy grew at 2.9% in 2019. As a result of the COVID-19 pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008-09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes, helped by policy support. *(Source: IMF WEO-Apr'2020)*

Growth in the advanced economy group, where several economies are experiencing widespread outbreaks and deploying containment measures is projected at (6.1%) in 2020 as against 1.7% in 2019. Most economies in the group are forecast to contract this year, including the United States at (5.9%) in 2020 vs 2.3% in 2019, Japan at (5.2%) in 2020 vs 0.7% in 2019 and the United Kingdom at (6.5%) in 2020 vs 1.4% in 2020. In parts of Europe, the outbreak has been as severe as in China's Hubei province. Growth in the Euro area is expected to be the worst hit at (7.5%) in 2020 vs 1.2% in 2019. Although essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Adverse confidence effects are likely to further weigh on economic prospects.

Among emerging market and developing economies, all countries face a health crisis, severe external demand shock, dramatic tightening in global financial conditions, and a plunge in commodity prices, which will have a severe impact on economic activity in commodity exporters. Emerging Asia is projected to be the only region with a positive growth rate in 2020 at 1% vs 5.5% in 2019. In China, the economy is projected to grow at a subdued 1.2% in 2020 vs 6.1% in 2019. India is expected to grow at 1.9% in FY 2020-21 vs 4.2% in FY 2019-20.

Following the dramatic decline in oil prices since the beginning of the year, near-term prospects for oil-exporting countries have deteriorated significantly. The growth rate for the group is projected to drop to (4.4%) in 2020 led by Saudi Arabia which is expected to drop to (2.3%) in 2020 vs 0.3% in 2019. Middle East & North Africa region is expected to drop at (3.3%) in 2020 vs 0.3% in 2019, while sub-Saharan Africa is expected to drop at (1.6%) in 2020 vs 3.1% in 2019.

Commercial Vehicle Market

The Commercial vehicle market in India posted a drop of 29% YoY in Total Industry Volumes (“TIV”), which was led by 20% drop in LCV and 42% drop in M&HCV segments.

Demand for MHCV trucks in Q1 FY 2019-20 started on a weak note due to the uncertainty around Lok Sabha elections and continued impact of axle load norms. In Q2 demand continued to take hit with GDP slowing down, heavy monsoon affecting construction activity and the ambiguity around GST rate cut for the automotive sector. In Q3/Q4 the demand suffered due to lack of BS VI pre buy, aggressive competition to bring down BS IV inventory, further tightening of funds by NBFCs and the nationwide lockdown enforced to slow the spread of COVID-19 pandemic.

M&HCV Bus segment registered a modest gain of 2% over the previous year with both STU and MDV-Private segments growing at 6% and 15.6% respectively. Most STUs are adopting the PPP (Public Private Partnership) model of business for new tenders.

The LCV Trucks (0-7.5T Segment) dropped by 21% while the LCV Bus segment degrew by 13%.

CV exports dropped by 39% over last year primarily driven by 63% fall in M&HCV Trucks. Other segments also declined by double digits except for M&HCV Buses which bucked the trend by growing 12%.

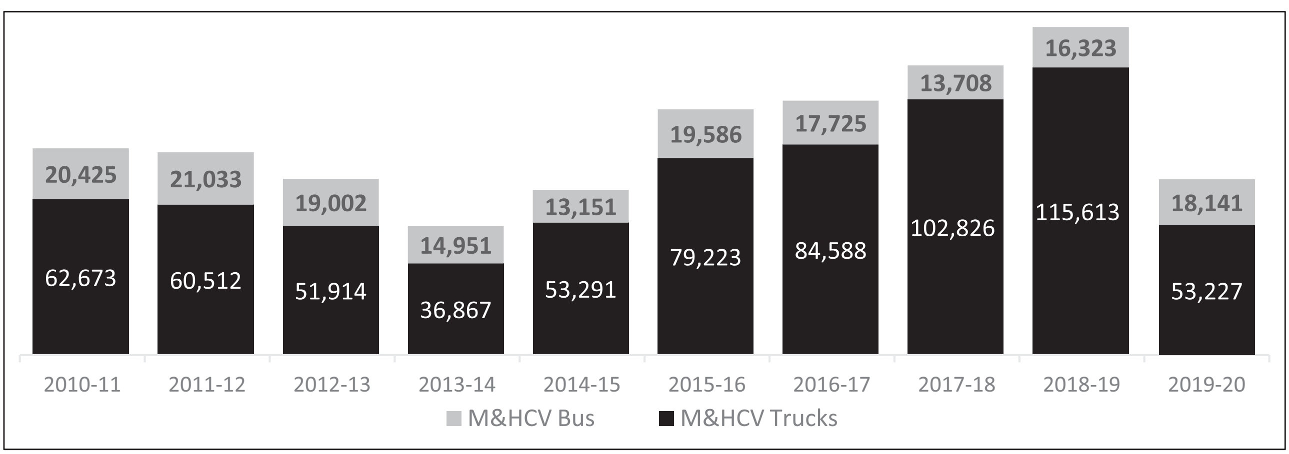
Segment	Domestic			Exports		
	2019-20	2018-19	Change %	2019-20	2018-19	Change %
M&HCV Buses	40,257	39,604	2	9,294	8,286	12
M&HCV Trucks	184,549	351,128	(47)	14,868	40,390	(63)
M&HCV Total	224,806	390,732	(42)	24,162	48,676	(50)
LCV Buses	45,369	52,170	(13)	2,655	4,094	(35)
LCV Trucks	447,513	564,409	(21)	33,896	47,163	(28)
LCV Total	492,882	616,579	(20)	36,551	51,257	(29)
CV Total	717,688	1,007,311	(29)	60,713	99,933	(39)

Source: SIAM Flash Report March 2020

B. ASHOK LEYLAND - THE YEAR (2019-20) IN BRIEF

Your Company sold 71,368 M&HCVs in the domestic market (18,141 M&HCV Buses and 53,227 M&HCV Trucks including Defence vehicles), registering a de-growth of 45.9% over the previous year. LCV with sales of 46,646 vehicles de-grew by 14.4% over the previous year. Your Company was able to achieve market share of 31.8% in M&HCV Bus and Truck Segment combined when total industry volume degrew by 42%. Your Company was able to clear complete stock of BS IV vehicle at Company and dealerships.

M&HCV DOMESTIC SALES (LAST 10 YEARS)



M&HCV Truck segment

In the continually declining market, your Company was able to attain a market share of 28.9% in the domestic M&HCV Trucks Segment. Your Company sold 53,028 M&HCV trucks (excluding Defence) in domestic market in the current financial year. The 54% drop in volumes is directly attributable to the steep drop in total industry volume. Your Company conducted BS VI vehicle launches to showcase its wide product portfolio with *i* Gen6 technology, to reinforce our brand promise of "Aapki Jeet Hamari Jeet". With new products, especially Modular Business Program ("MBP") range, your Company is poised for a confident and smooth take off for BS VI. There were many noteworthy product launches in M&HCVs which were well received during the year, namely model CT3718 10x4 helped your Company regain some of the lost market share in the Tipper segment.

M&HCV Bus segment

Your Company bagged Global 3rd position in volume sales. In the domestic M&HCV Bus segment, your Company continues to maintain overall leadership, with a MS of 45.1% which is 3.9% more than the market share in FY 2018-19. Your Company regained the leadership in STU segment with strong order wins from Tamil Nadu, Gujarat, Maharashtra STUs, thereby registering a growth of 6% over the previous year. Your Company launched new products such as Sunshine LX for ICV School segment, 12m 225 *i* EGR Bus for intercity segment and 11m FESLF CNG NAC for intracity segment.

International Operations

In pursuit of new vision, your Company focused on expanding its global footprint across retail markets in Africa, ASEAN and CIS countries. Your Company strengthened its presence in Bangladesh and GCC countries with its LCV portfolio and attained market leadership in MDV bus segment. Your Company has extensively worked on developing globally benchmarked new products in FY 2019-20 in Trucks, Buses and LCV range in RHD and LHD versions to cater to global markets.

LCV segment

In FY 2019-20, your Company gained market share through all its LCV brands in sub-7.5T GVW segment with focus on institutional sales, despite 18% drop in TIV in the segments we operate. Your Company is now BSVI ready and completed development of New Generation LCV, which will be launched in first half of FY 2020-21 for both domestic and international markets, offering superior customer value proposition. Your Company continues to deliver best-in-industry SSI/ CSI, lowest defect, best-in-class low warranty and high service retention through its expanding network of 570 outlets, thereby achieving service market share of 64%.

Power Solutions Business

Your Company set new records in FY 2019-20 with all time high volumes of agricultural engines, and secured breakthrough businesses with prospect equipment manufacturers in industrial and agricultural applications for ensuing BS CEV IV emissions. Your Company aggressively sold 20,359 engines in FY 2019-20 despite the deferment of infrastructure projects and improved grid power which restrained the industrial equipment and powergen genset demand respectively.

Aftermarket

Aftermarket business of your Company has been delivering profitable growth over last few years. Spare Parts business of your Company delivered healthy margins backed by interventions that resulted in substantial reduction in operating costs in areas of logistics and inventory control. Spare Parts channel saw record participations from independent garages and ended the year with highest ever number of exclusive retail parts store. Availability of spare parts at Channel partners also reached a record high of 97%. The Digital initiative - LeyKart continues to fulfill the promise of on-demand availability of Spares with listings of more than 15,000 SKUs and saw record participation of users.

Service function achieved its highest Service market share and continues to improve penetration in service products. Digitalisation of internal operations enabled the service organisation to become more agile to changing market dynamics. Your Company continued to focus on superior customer service throughout the product lifecycle. Dealer partners of your Company, expanded their capacity and reach for aftermarket service, including break-down assistance and accident repairs.

Defence

In FY 2019-20, your Company supplied 359 units of completely built up units (CBUs) including bullet proof vehicles and 888 kits. The defence business of your Company expanded its portfolio by foraying into tracked vehicles business for supplying aggregates and components for T-72 and T-90 battle tanks. It is also working on enhancing exports volumes for its products.

Foundry Division

The Indian foundry industry manufactures castings for applications in Auto, Tractor, Railways, Machine tools, Defence, Earth Moving / Textile / Cement / Electrical / Power machinery, Pumps / Valves etc. The Foundry Division of your Company is mainly catering to the automotive industry in the country and having product segments of Cylinder Block, Head and Tractor Housings. For the FY 2019-20 the Foundry division achieved the production of 61,152 MT (decrease of 42% over last year) and sales of 59,334 MT (decrease of 39% over last year).

Overall Summary

In summary, during FY 2019-20, your Company recorded total vehicle sales of 116,280 units in the domestic market and 8,920 units in the export market. Your Company continued to focus on transforming the Company into an agile player geared up for sustained growth in the coming years.

C. OPPORTUNITIES AND THREATS

In order to stop the spread of the COVID-19 outbreak, many countries across the world, including India, have taken very tough measures. The automotive industry was pulling itself up from a prolonged slump when the pandemic threw everything out of gear. The absolute magnitude of impact depends on the duration of ongoing lockdown and the impact caused by it. Even after we open up, demand is expected to decline with discretionary spend taking a backseat. This coupled with transition to BS VI norms will increase cost of ownership.

While the short term looks uncertain, the COVID-19 outbreak will change the way the automotive industry works. Digitisation will have to be adopted in a big way in designing the customer experience. Dealerships will need to change their business models and use digital platforms for sales and marketing. The Government along with RBI is working on a number of steps such as reducing interest rates, liquidity to banks and NBFCs, fiscal stimulus package for the worst hit sectors is in the works aimed at reviving demand post lockdown.

In the medium term, fast-tracking the ₹ 1.70 lakh Crore infrastructure spend already allocated in the budget, scrappage policy for automotive (>15 years) with incentives for new purchases and roadmap to implement the ₹ 111 lakh Crore National Infrastructure Pipeline would provide opportunities for the CV industry in the long term.

D. RISK MANAGEMENT

During the year, the CV industry, specifically the M&HCV segment experienced a double-digit contraction in sales volumes on account of headwinds such as the overall economic slowdown in the country, sluggish manufacturing & infrastructure activity and excess capacity created on account of the change in axle load norms. Towards the end of the financial year, further economic uncertainty was created by the global pandemic COVID-19. Your Company was also impacted by the above, which has resulted in a sharp decline in sales volumes during the year.

Your Company aims to be resilient to the changing business scenario, gain competitive advantage over its peers and protect and create value for stakeholders, including shareholders, employees, customers, regulators, and society. Your Company has been focusing on proactively responding to the external risks through appropriate business strategies and continuing with the productivity and cost improvement programmes started earlier. Further, it has been keenly focusing on managing cash flows and conserving resources for future growth initiatives.

To consolidate and further grow its market position, your Company is ready with its indigenous, cost-effective *i* Gen6 mid-nox engine technology for BS VI and MBP platform, which will deliver significantly improved performance for its customers.

Your Company has an inclusive, well integrated and standardised Enterprise Risk Management ("ERM") framework across the organisation. The risk management process enables business to proactively identify and address risks and opportunities, assessing them in terms of likelihood and potential impact, determining the response strategy, and monitoring them on a regular basis.

The ERM process is also integrated with the strategic business planning process. Key internal and external risks, inherent to the strategy for each of the business verticals are identified and the critical assumptions underlying the strategy are also considered.

An internal Risk Steering Committee, chaired by the MD & CEO and comprising of key members of Senior Leadership and core Business vertical heads is responsible for the risk management process including risk identification, impact assessment, effective implementation of risk mitigation plans, and risk reporting. The Steering Committee reviews the enterprise risks on a quarterly basis. Significant risks identified and associated risk response plans are tabled to the Risk Management Committee ("RMC")of the Board.

The Company's ERM process is overseen by the Board of Directors, through the RMC of the Board which is responsible to ensure that the Company has an appropriate and effective ERM framework. The RMC apprises the Board on the effectiveness of the ERM framework, significant enterprise risks identified and the risk response mechanisms implemented by the Company. Further, it also reviews and approves the organisation's Risk Appetite statement on an annual basis.

We also take pride in informing you that your Company has been awarded the "Golden Peacock Award" for Risk Management in "Automotive" category by the Institute of Directors, in January 2020. Your Company has also bagged the coveted ICICI Lombard-CNBC TV18 India Risk Management awards in two categories viz., Best Risk Management Framework & Systems - Risk Governance and Best Risk Management Framework & Systems - Private Company in February 2020.

E INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Given the nature of business and size of operations, your Company has designed a proper and adequate internal control system to ensure:

a) Transactions recorded are accurate, complete, and authorised;

b) Adherence to Accounting standards and compliance to applicable statutes, Company policies and procedures;

c) Effective usage of resources and safeguarding of assets.

Your Company has complied with the specific requirements as laid out under Section 134(5)(e) of the Companies Act, 2013 which calls for establishment and implementation of an Internal Financial Control framework that supports compliance with requirements of the Act in relation to the Directors' Responsibility Statement.

Your Company's Internal control framework follows the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control Framework, 2013 and The Institute of Chartered Accountants of India's Guidance Note on Audit of Internal Financial Controls Over Financial Reporting which supports in evaluating the design and operating effectiveness of internal controls in a consistent manner.

Further, your Company, through its own independent and multi-disciplinary Internal Audit function with the support of third party service providers where appropriate, carries out risk based Internal audit reviews, based on the annual risk based Internal Audit plan as approved by the Audit Committee of the Board. The Internal Audit function reviews compliance vis-à-vis the established design of the Internal control, as also the efficiency and effectiveness of operations.

Significant deficiencies in Internal control identified if any, are reviewed periodically and tracked for closure.

The summary of the Internal Audit findings and status of implementation of action plans for risk mitigation, are submitted to the Audit Committee every quarter for review, and concerns around residual risks if any, are presented to the Board.

F INFORMATION SECURITY

Information and related technology are vital assets for your organization. At Ashok Leyland, we safeguard our Information assets from threats, both internal and external, through the adoption of best practices in Information Security, and by building a culture of Information Security awareness. This has enabled your Company to minimize risks from cyber and other information security threats.

Your Company is certified annually under the ISO 27001 Information Security Standard to periodically evaluate and enhance the maturity of its overall Information Security framework.

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Your Company has an independent Information Security function governing the planning, implementation, review and improvement of the Information Security processes across the organisation to protect the Confidentiality, Integrity and Availability of critical and sensitive information assets.

G. FINANCIAL REVIEW

Summary of Profit and Loss account is given below:

₹ crores

Particulars	**2019-20**	**2018-19**	**Inc/ (Dec)%**
Revenue from Operations	17,467.47	29,054.95	(39.9)
Other income	123.34	109.94	12.2
Total	**17,590.81**	**29,164.89**	**(39.7)**
Expenditure			
Material Cost	12,369.15	20,679.57	(40.2)
Employee benefits expenses	1,615.06	2,098.77	(23.0)
Finance cost	109.45	70.38	55.5
Depreciation and amortization	669.80	621.01	7.9
Other expenses	2,309.61	3,140.87	(26.5)
Total	**17,073.07**	**26,610.60**	**(35.8)**
Profit before exchange gain on swap contracts, exceptional items and tax	**517.74**	**2,554.29**	**(79.7)**
Exchange gain / (loss) on swap contracts	0.01	(2.63)	100.4
Profit before exceptional items	**517.75**	**2,551.66**	**(79.7)**
Exceptional items	(155.83)	(54.86)	184.1
Profit before tax	**361.92**	**2,496.80**	**(85.5)**
Tax expense	122.40	513.60	(76.2)
Profit after tax	**239.52**	**1,983.20**	**(87.9)**
Basic earnings per share (₹)	**0.82**	**6.76**	**(87.9)**

Trending the M&HCV volume decrease of 45% over previous year, your Company's revenues were at ₹ 17,467 crores which is lower than previous year by 40%. Volume reduction happened in the heavy tonnage segments covering Tipper, Tractor trailer and Multi Axle vehicles. Upward price increase and recovery during the year was not possible due to intense competition and high discounting scenario. While export volumes of M&HCV reduced by about 34% in 2019-20, LCV exports have registered a growth of 26% over previous year.

Cost:

Material Cost: FY 2019-20 witnessed reduction in prices of spring steel, forgings, castings, aluminium, rubber, etc. However, freight rates and lead prices went up during the year. Consequent to the reduction in prices, your Company could save about ₹ 132 crores. Through various internal initiatives covering price negotiation, value engineering, turnover discounts and business share optimization, your Company managed to secure a reduction of about 1.25% during the year.

Staff Costs: Employee expenses were lower by about 23% during the year reflecting the reduction in bonus and performance payments consequent to 45% reduction in sale volumes. Your Company also introduced VRS Scheme in June / July 2019.

Finance Costs was up by 55% consequent to availment of fresh long-term loans of ₹ 1,215 crores during the year. These loans were availed to meet capital expenditure of your Company.

Depreciation for the year is at ₹ 669.80 crores which is higher than last year reflecting the capitalisation of costs relating to MBP and BS VI.

Other expenses at ₹ 2,309.61 crores are significantly lower than last year reflecting the drop in activity levels. All expenses covering delivery charges, production overheads, sales and administration overheads recorded reduction over last year in line with the lower volumes. Thanks to the K54 2 initiative driven across the organisation, which has resulted in significant reduction of the costs by over ₹ 500 crores in FY 2019-20.

Total Capital employed by your Company decreased by 10% from ₹ 18,224 crores in FY 2018-19 to ₹ 16,390 crores in FY 2019-20 reflecting the decrease in activity levels.

Total shareholder's funds as at March 31, 2020 stood at ₹ 7264 crores reflecting a decrease of ₹ 1,068 crores over March 31, 2019 amount of ₹ 8,332 crores. This decrease is due to payment of dividend for FY 2018-19 ₹ 1,093 crores, interim dividend for FY 2019-20 ₹ 177 crores and other adjustments ₹ 38 crores offset by addition on account of current year profit of ₹ 240 crores.

Summary of Balance Sheet is given below:

₹ crores

Sources of Funds	**March 31, 2020**	**March 31, 2019**	**Inc/ (Dec)%**
Shareholder's funds	7,263.99	8,332.43	(12.8)
Non-Current liabilities	2,126.69	1,103.01	92.8
Current liabilities	6,998.93	8,788.96	(20.4)
Total	**16,389.61**	**18,224.40**	**(10.1)**
Application of Funds			
Fixed Assets	5,457.63	5,080.62	7.4
Right of use assets	406.46	-	100.0
Intangible Assets	1,533.62	1,191.51	28.7
Investments	2,719.63	2,636.50	3.1
Loans and other non-current assets	848.78	1,129.43	(24.8)
Current assets	5,423.49	8,186.34	(33.7)
Total	**16,389.61**	**18,224.40**	**(10.1)**

Capital expenditure and investments

During the year, your Company incurred ₹ 1,292 crores towards capital expenditure predominantly towards BS VI, MBP, Electric vehicles, Unit replacements, maintenance capex etc.,

During the year, your Company has invested ₹ 300 crores in Hinduja Leyland Finance Limited, ₹ 100 crores in Optare Plc, ₹ 20 crores in Albonair India, ₹ 22 crores in Vasuki (Special Limited Partnership) and ₹ 4 crores in Ashley Aviation. Thus, your Company has invested ₹ 447 crores in joint venture / associates / subsidiaries / Special Limited Partnership during the year. There had also been impairments of ₹ 103 crores during FY 2019-20 viz., ₹ 101 crores in Optare and ₹ 2 crores of investment in Ashley Aviation.

Current assets as at March 31, 2020 were at ₹ 5,423 crores when compared to previous year level of ₹ 8,186 crores. The reduction of ₹ 2,763 crores was driven by reduction in inventory by ₹ 1,447 crores, reduction in receivables by ₹ 1,326 crores, reduction in other current assets by ₹ 375 crores, reduction in cash and cash equivalents and bank balance and others ₹ 53 crores offset by increase in other financial assets ₹ 438 crores.

Liquidity

Your Company continued with the "cash and carry" system of sales during the year. This has enabled your Company to better manage the increased liquidity requirements. During the year, your Company has managed its capital expenditure through availment of fresh long term loans (₹ 1,215 crores). Internal generation was sufficient to meet the last year dividend payments. Working capital requirements were met out of short term funds. Your Company manages its liquidity through rigorous weekly monitoring of cash flows.

Details of significant changes in key financial ratios:

Ratios	Formula Used	FY 2020	FY 2019
Debtors Turnover	Revenue from operations / Average Debtors	9.48	16.84
Inventory	COGS / Average Inventory Turnover	6.31	9.31
Interest Coverage Ratio	Earnings before Interest and Tax / Interest Expense	9.07	36.01
Current Ratio	Current Assets / Current Liabilities	0.77	0.93
Debt Equity Ratio	Debt / Equity	0.46	0.08
Operating Profit Margin (%)	EBITDA / Revenue from operations	6.7	10.8
Net Profit Margin (%)	PAT without exceptional items / Revenue from operations	2.3	7.0
Return on net worth (%)	PAT without exceptional items / Total Equity	5.4	24.5

Profitability

Your Company's profitability recorded in FY 2018-19 could not be sustained in FY 2019-20 consequent to intense competition, high discounts as well as the need for liquidation of BS IV inventory to meet the emission norms requirements. Demand for MHCVs contracted by about 45% in domestic market. All the higher tonnage segments covering Tippers, Tractor trailers and MAVs witnessed slowdown. Exports and domestic LCV volumes also contracted. Tighter control on material cost and operating expenses (through K54 2 initiative) combined with judicial sales mix and better working capital management have contributed to the profits during the year.

FY 2018-19 witnessed an upward revision in long term rating by CARE after 20 years. But in March 2020 due to the continuous drop in MHCV industry volume, your Company's financial rating for long term instruments has been downgraded by ICRA from AA+ with stable outlook to AA with Negative Outlook. CARE had also revised their ratings for long term instruments in April 2020 from CARE AA+ to CARE AA with Negative outlook.

Agency	Long Term	Short Term Facilities / Commercial Paper
CARE	CARE AA; Negative Outlook	CARE A1+
ICRA	ICRA AA; Negative Outlook	ICRA A1+

Long term fund-based working capital limits set by the Consortium of Banks have been increased from ₹ 900 crores to ₹ 2,000 crores during the year. Your Company has serviced all its debt obligations on time.

Results of Operations

Your Company generated an after-tax profit from operations of ₹ 1,117 crores in FY 2019-20 which is lower than ₹ 2,601 crores in FY 2018-19. Unlike FY 2018-19, working capital movement was normal. There has been significant drop in both inventory (₹ 1,447 crores) and trade receivables (₹ 1,314 crores) which is substantially offset by a drop in trade payables (₹ 2,402 crores). Finished vehicle inventory (M&HCV) dropped from 8,871 vehicles in March 2019 to 1,243 vehicles in March 2020. Overall working capital has increased by ₹ 176 crores.

Cash outflow for acquisition of fixed assets for FY 2019-20 was at ₹ 1,292 crores as against ₹ 731 crores last year reflecting an increase of ₹ 561 crores in FY 2019-20. FY 2018-19 witnessed liquidation of all investments in mutual funds resulting in a cash inflow of ₹ 3,043 crores. FY 2019-20 indicates a cash outflow of ₹ 885 crores representing ₹ 447 crores of investments in Joint venture / Associates / Subsidiaries and ICDs ₹ 500 crores lent during the year. Cash inflow from finance activities primarily reflect the fresh long term loan of ₹ 1,215 crores during FY 2019-20. On the contrary, no fresh loans were availed during FY 2018-19.

Dividend

The Directors have declared an interim dividend of ₹ 0.50 per share per equity share of ₹ 1/- each for the financial year ended March 2020. This interim dividend has already been paid in March 2020.

Cash Flow Statement

₹ crores

Particulars	**31.03.2020**	**31.03.2019**
Profit from operations after tax	1,116.67	2,601.44
(inc)/Dec in Net working capital	(175.61)	(2,963.79)
Net cash (outflow) / inflow from operating activities	941.06	(362.35)
Payment for acquisition of assets - net	(1,292.27)	(731.47)
Cash inflow / (outflow) for investing activities	(885.18)	3,042.96
Cash inflow / (outflow) from financing activities	1,148.98	(1,616.16)
Net cash inflow / (outflow)	**(87.41)**	**332.98**

The year ahead

Government of India has introduced the BS VI emission norms effective April 1, 2020 amidst the pandemic situation caused by the spread of COVID-19. Many parts of the world including India were affected by the COVID-19 and have resorted to partial or complete lock down. These lockdowns were continued till June 2020 causing serious disruption to business activities. Further, the lockdowns are likely to continue in full / partial manner for few more months. Consequent to the lockdown, both manufacturing and sales could not happen, and the entire automobile industry recorded meagre production and sale volumes in Q1 FY 2020-21. Despite these lockdown pressures, your Company has progressed with the launch of BS VI compliant AVTR vehicles under Modular Platform.

During May / June 2020, your Company has launched the Modular vehicles through virtual medium in the presence of all the stakeholders viz., suppliers, buyers, financiers, investors, analysts etc., The feedback so far from the customers on the performance of these modular BS VI vehicles is very encouraging. Your Company is also scheduled to launch the LCV range of vehicles coded named "Phoenix" during July-September 2020 quarter. This launch could not happen earlier due to COVID - 19 lockdown. Your Company is hopeful of the improvement in the demand for commercial vehicles in the subsequent quarters aided by the reform measures announced by the Government of India to improve industry, defence and infrastructure.

B. HUMAN RESOURCES

During the year under review, the total number of people on the rolls of the Company is 11,463.

Material developments in the Human Resource / Industrial relations front have been detailed under the head "Human Resource" in the Boards' Report.