Management Discussion and Analysis

Global economic overview

The global economy was roiled by volatile food and commodity prices and elevated inflation. The Russia-Ukraine conflict, which caused supply chain disruptions worldwide, exacted a heavy toll on the economy. The rising costs of living, inflated food and commodity prices and tightened liquidity conditions also impeded global economic growth.

Supply chain constraints and market volatility have considerably dampened consumer sentiment and lowered capital outflows. Several nations continue to grapple with persistent demand-supply imbalances and decadal-high inflation rates. To tame inflation and achieve price stability, central banks around the world have responded with synchronised rate hikes and tightened monetary policies.

At the end of FY23, the global economy recovered gradually from the waning effects of the pandemic and geopolitical tensions. The global economic output is expected to witness steady growth, driven by stabilising inflationary pressures, reviving consumer sentiment and investor confidence.

The IMF's World Economic Outlook, April 2023, reports that global growth will reach register a growth of 2.8% this year before climbing to 3.0% in 2024. In comparison, advanced economies are projected to display a growth rate of 1.3% in CY23. Global inflation is expected to gradually decline, although slower than initially anticipated, from 8.7% in 2022 to 7.0% this year and 4.9% in 2024[1].

Outlook

Despite inflationary pressures, the global economy is supported by a robust labour market, increased domestic spending, an influx of foreign capital and a prudent response to the energy crisis in Europe.

Many emerging markets and economies (EMDEs) have already recovered, which has bolstered real incomes. An optimistic global outlook would also be determined by the speed and effectiveness of fiscal and monetary policy actions implemented to boost economic expansion. The Central Banks have been tightening monetary policy, which is expected to curb sticky inflation and foster long-term growth.

[1] https://www.imf.org/en/Blogs/Articles/2023/04/11/global-economic-recovery-endures-but-the-road-is-getting-rocky

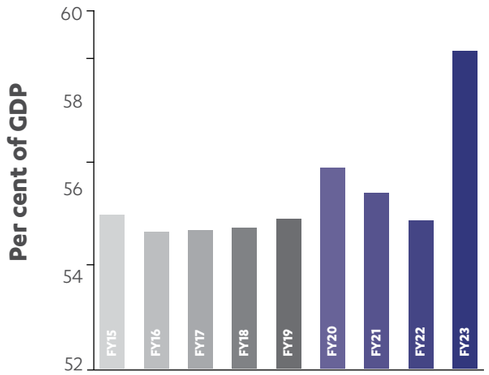
Indian economic review

The Indian government has managed to maintain a favourable domestic policy environment and prioritise structural reforms, allowing the country's economy to remain resilient amid global challenges. The final advance estimates of the NSO indicate that India has registered a growth rate of 7.2% in the fiscal year 2022-23[2].

Additionally, the country's stable inflation rates, higher disposable income and continued investment in infrastructure development are expected to contribute positively to economic growth in the future.

Various high-frequency indicators, such as GST collections, railway and air traffic, electronic toll collections and E- Way bill volume, suggest a robust economic recovery in India. This persistent growth momentum has positioned India as an attractive investment destination.

Private consumption highest (as a percentage of GDP) since FY15 across H1



(Source: NSO, MoSPI)

Outlook

Despite global challenges, India's economic activity has remained robust due to a favourable domestic policy environment and the Government's continued emphasis on structural reforms

Stabilising inflation, narrowing current account deficit, improving consumer sentiments and a favourable policy environment are likely to aid the Indian economy. Moreover, government initiatives like Atmanirbhar Bharat and the Production-linked Incentive (PLI) scheme would contribute to economic growth by increasing local output.

A combination of rising disposable income, easy access to credit and lowering interest rates in the wake of a stabilising inflation trajectory will bode well for economic growth going forward.

Industry overview

Industrial

Steel, cement and construction

The Steel sector plays a pivotal role for crucial sectors such as infrastructure, automobile, engineering and defence. India is now the world's second-largest crude steel producer, producing 118.20 million tonnes (MT) of crude steel, a 17.9% increase over the same period previous year (CPLY). India's finished steel consumption is projected to rise from 133.596 MT in FY22 to 230 MT in 2030-31. In the first half of 2022, India's crude steel production increased by 8.8% to 63.2 MT, mostly due to increased demand from the manufacturing and construction industries[3].

The introduction of the Production Linked Incentive (PLI) scheme, with an outlay of ₹ 6,322[4] Crore, is anticipated to encourage the industry to invest in increasing the capacity for specialty steel. Government support is encouraging planned capacity expansion. Although value-added steel is produced in India, the steel product portfolio is skewed towards low to mid-range value-added items.

The growth in demand for residential complexes among the urban population, along with the concurrent increase in construction activity, are the primary drivers of the cement industry. The government's recent efforts to build world-class infrastructure including roads and airports, and multimodal connectivity projects have fuelled the market's expansion. The construction of India's seamless multimodal transportation network will operate in tandem with the PM Gati Shakti - National Master Plan (NMP) for multimodal connectivity, and cement consumption is predicted to grow as a result.

> **"With more than 7% of the installed capacity worldwide, India ranks second in the production of cement.**

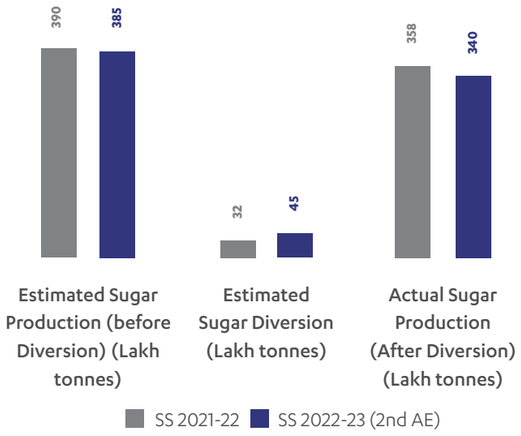
The volume of cement consumed by the end of FY 2027 is predicted to be 450.78 million tonnes. Consumption will rise as a result of the surge in demand from industries like housing, commercial, and industrial buildings[5].

[2] https://pib.gov.in/PressReleasePage.aspx?PRID=1928682
[3] https://jpcindiansteel.nic.in/writereaddata/files/Trend%20Report%20July%202022.pdf
[4] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1882162
[5] https://www.researchandmarkets.com/reports/5690659/cement-industry-in-india-2022-2027

Sugar

According to the Indian Sugar Mills Association (ISMA), domestic sugar production is expected to reach 340 lakh tonnes in sugar season 2022–2023 up from 358 lakh tonnes in sugar season 2021-2022. The highest ever diversion towards ethanol— nearly 45 lakh tonnes, up by 41% year-on-year— is predicted this year. This increasing diversion towards high realisation ethanol is likely to support 8-12% revenue growth for sugar mills this fiscal.

Revenue for sugar mills is predicted to rise by 8–12% in FY23. The expansion in installed capacity for sugar production and distilleries, as well as a rise in the aim and price for blending ethanol, are anticipated to support the growth. The distillery industry has a far higher profit margin than the sugar industry. Such enticing pricing for ethanol producers would help sugar mills pay cane farmers on schedule and enhance their liquidity.[6]



AE – Advanced Estimates

(Source: ISMA)

Pumps

The expansion of the Indian pump sector in recent years has been aided by expanding urbanisation, dropping groundwater levels, and other infrastructure-improvement programmes. The development in domestic infrastructure buildings and other water-intensive industries have also contributed to the market expansion. Water and wastewater, chemicals, pharmaceuticals, construction, food and beverage, and mining are the primary end-users in India.

Going forward, industrial pumps are predicted to gain popularity in India due to factors like increased emphasis on energy-efficient products in the water and wastewater industry, development of generic pharmaceutical production, rapid urbanisation, rise in large-scale housing projects, and expansion of infrastructure projects [7].

Power generation

Thermal energy

In India, power is generated from conventional (Thermal, Nuclear and Hydro) and renewable sources (Wind, Solar, Biomass and so on). However, thermal power remains the primary source of energy generation, accounting for 75% of total power generation.[8]

The overall power generation (Including generation from grid connected renewable sources) in the country stood at 1624.465 Billion Units (BU) during 2022-23. Thermal power generation increased by 8.21% during 2022-23 [9].

Tentative Year-wise Thermal Capacity likely to be included into National Capacity:

(as on 30.04.2023)

FY	2023-24	2024-25	2025-26	2026-27	2027-28	Total (MW)
Central	6880	4380	0	660	660	12580
State	7820	5040	0	0	0	12860
Private	0	0	0	0	0	0
Total	**14700**	**9420**	**0**	**660**	**660**	**25440***

*Yelahanka CCPP (370 MW) and Uppur SCTPP (2x800 MW) have not been included in this capacity.

(Source: CEA)

India is expected to tentatively add 25,440 MW of thermal capacity in the next 5 fiscal years[10] .

Energy consumption in India is anticipated to increase in tandem with the country's economic expansion. It is anticipated that the deployment of coal-based thermal power plants will continue to contribute significantly to the country's energy mix.

[6] https://www.careratings.com/uploads/newsfiles/22022023010432_Sugar_Industry_Update_-_CareEdge_Research.pdf
[7] https://indianinfrastructure.com/2023/01/31/market-trends-opportunity-to-grow-in-the-indian-pump-segment/
[8] https://coal.nic.in/en/major-statistics/generation-of-thermal-power-from-raw-coal
[9] https://powermin.gov.in/en/content/overview
[10] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1911535

Renewable energy

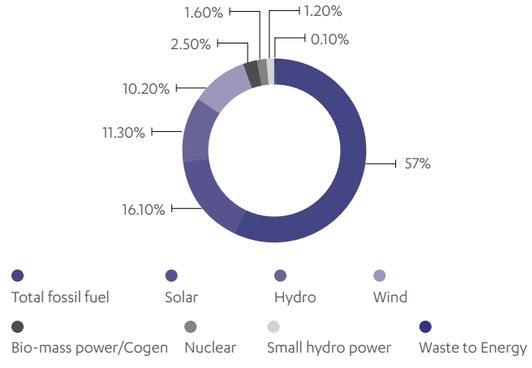
The Indian government has launched a number of programmes to boost renewable energy producing capacity, including the National Solar Mission (NSM), Ultra Mega Solar Power Projects, Wind-Solar Hybrid Policy, and others. These initiatives have helped India make significant progress in increasing its renewable energy power generation capacity. Renewable energy sources (including hydro) had an installed capacity of 173,619 MW which accounted for 41.4% of the total installed generation capacity as on 31st March, 2023[11]. The government is committed to further increasing the country's renewable energy power generation capacity, and it is expected that India will become a major global player in the renewable energy sector in the coming years.

India has prioritised renewable energy as a long-term strategic focus area by planning sizeable solar power, wind power, biomass, and hydro power projects. To encourage private sector participation in renewable energy, the government has also provided incentives like faster depreciation, reduced customs and excise fees, and tax holidays.

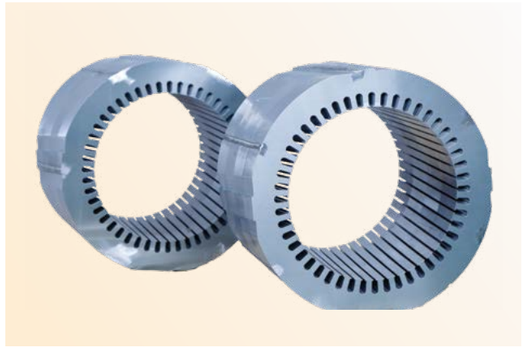
Long-term results are likely to include a decreased reliance on fossil fuels, increased energy security, decreased greenhouse gas emissions, and numerous employment opportunities, particularly in rural areas. India's strategic emphasis on renewable energy will continue to be essential for accomplishing its long-term sustainable development objectives.

Installed generation capacity (fuel wise) as on 31.03.2023

Category	Installed generation capacity (MW)
Total fossil fuel	2,37,269
Non-fossil fuel	
Renewable energy sources (incl. Hydro)	1,72,010
Hydro	46,850
Wind	42,633
Solar	66,780
Bio-mass power/Cogen	10,248
Waste to Energy	554
Small hydro power	4,944
Nuclear	6,780
Total non-fossil fuel	**1,78,790**
Total installed capacity (Fossil fuel & non-fossil fuel)	**4,16,059**



[11] https://powermin.gov.in/en/content/power-sector-glance-all-india



Diesel generator sets

The DG sets have a competitive advantage of providing uninterrupted power supply and portability, unlike utilities. Demand from commercial applications are mainly driving the growth of the Indian diesel genset industry. Investments in infrastructure projects, construction activities, hospitals, data centres, 5G network and rural infrastructure is likely to further drive demand in this segment.

5G and 5G rollout

5G has the potential to revolutionise Indian society, opening up new economic opportunities and societal benefits. The Indian government has taken proactive steps to foster innovation and research in the 5G domain, offering free access to the 5G Test Bed for start-ups and MSMEs. This has led to the development of various 5G technologies and intellectual property that can be transferred to industry partners, promoting the implementation of 5G in India and boosting indigenous technology development. The rapid rollout of 5G, covering over 700 cities within eight months since its launch, has been facilitated by spectrum availability, investments from telecom operators, and the strong demand for faster internet speeds. The impact of 5G on India's economy is projected to be significant, bolstering the digital economy, creating jobs, and improving the quality of life.[12]

The rapid deployment and increasing demand for 5G services are expected to drive infrastructure buildup by industry players to meet the rising demand. As the need for 5G infrastructure grows, specialized equipment such as base stations, antennas, routers, switches, and other networking components will be in higher demand. This infrastructure development will further support the expansion of 5G networks in India, contributing to the overall economic impact and enhancing the country's digital ecosystem.[13]

Hospitals

In recent years, India's healthcare industry has made considerable achievements, as seen by the improved patient-to-doctor ratio of 1:854 in 2022, which exceeds the WHO guideline of 1:1000. The COVID-19 pandemic pushed digital healthcare and telemedicine to the forefront, and they have now become integral to the future of healthcare.[14]

To fully harness the potential of digital healthcare, hospitals would increasingly require uninterrupted power supply owing its criticality for patient care and safety and ensuring the continuous operation of life-saving medical equipment and specialised instruments. The Ayushman Bharat Digital Mission has introduced AI-enabled handheld devices, point of care cancer screening tools, digital pathology, and imaging-based algorithms, expanding the role of artificial intelligence (AI) in healthcare. Physicians and patients alike have developed confidence in using digital services, and teleconsultations have steadied at five to six times their pre-pandemic levels. This shift towards lower-cost, higher-access delivery channels signifies the transformative impact of technology on healthcare.

Residential and commercial spaces

In the post-COVID-19 period, the Indian real estate market experienced high demand across various sectors, driven by pent-up demand and positive market sentiments. Despite global challenges in 2023, India's strong macroeconomic fundamentals are expected to support the continued development of the real estate sector. Leasing activity for offices recorded significant growth of 40% year-on-year in 2022, along with decreasing vacancy levels and rental recovery in several cities. The housing market also saw positive trends, with an estimated 312,666 housing units sold in India in 2022. Affordable housing financing options and low-interest house loans are expected to enhance homeownership accessibility for a broader population segment. Real estate developers are focusing on providing innovative and sustainable housing solutions, including integrated townships and smart cities with modern amenities and infrastructure. These factors, coupled with the evolving expectations and lifestyles of the growing Indian middle class, will continue to drive demand in the housing market.

Transportation

Railway freight services

Rail freight transportation supports industry and supply chains since it is economical, energy-efficient, and capable of hauling heavy loads. On an average, 9,146 freight trains run every day. During FY22-23 (up to November 2022), Indian Railways (IR) carried 976.8 million tonnes of revenue-earning freight (excluding KRCL), as against 901.7 million tonnes during the corresponding period in FY21-22 (excluding KRCL), marking an increase of 8.3 per cent. Overall, the Indian Railways loaded 1,512 MT of goods in FY 22–23, setting a record.

One of the biggest initiatives in railway freight infrastructure is the construction of the Eastern and Western dedicated freight corridors (DFCs), which complements the golden quadrilateral. The nation's transport output is projected to increase as a result of this initiative while transit time and costs are anticipated to decrease.

Passenger rail

The number of passenger trains operated by the railways each day increased to 13,523 for the fiscal year 2022-23 (up to November 2022–2023), and the number of originating passengers exceeded 418.4 crore. In the coming years, increased mobility across the country and a need for faster and effective trains will help boost passenger traffic even more[15].

The government has allocated a record capital outlay of ₹ 2.4 crore for the Railways in the Union Budget 2023-24 to match the increased rail traffic anticipated in the future. Also, initiatives like delegation of powers at the field level (which helped in commissioning of doubling projects), close monitoring of the progress of projects at various levels, regular follow-up with state governments and relevant authorities for expeditious land acquisition, forestry and wildlife clearances are expected to accelerate the pace of railway projects completion.

The induction of high-speed, self-propelled Vande Bharat Trains that are equipped with ultra-modern features like quick acceleration (with a maximum speed of 160 kmph), on-board infotainment and Global Positioning System (GPS) based passenger information system will lead to a substantial reduction in travel time and improve the passenger experience.

[12] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1927062
[13] https://dot.gov.in/sites/default/files/5G%20Steering%20Committee%20report%20v%2026.pdf
[14] https://www.pwc.in/assets/pdfs/healthcare/enabling-healthcare-with-technology.pdf
[15] https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf

Metro rail

According to the economic survey 2022-23, 721 km of metro rail network was made operational by August 2022. The Indian metro rail industry is one of the fastest-growing in the world.[17] The growth of the Indian metro rail industry is having a transformative impact on urban transportation in India. Metro rail is reducing traffic congestion, improving air quality, and making cities more liveable. It is also creating jobs and generating economic activity. New metro rail (subway) systems are being constructed in more than 20 Indian cities, and are accelerating the transformation of urban mobility[16].

The Indian metro rail industry is also undergoing a digital transformation. Metro rail systems are increasingly using digital technologies to improve passenger experience. The use of technologies like building information modelling (BIM), advanced analytics, drones, and IoT-based digital monitoring systems is rapidly modernising the industry. Moreover, the entry of private players is also expected to bring in new technologies and innovative solutions to the industry and make metro rail more affordable.

The metro rail networks are a key part of the government's plan to develop world-class infrastructure in India. With continued government support and public demand, the industry is poised for continued growth in the coming years.

Off highway vehicles

The off-highway vehicle market is a rapidly growing industry and is being driven by a number of factors, including:

- Construction equipment: The market for off-highway vehicles is expanding due to increased need for equipment to automate work in a range of industries, including construction. Such vehicles are in high demand for large-scale infrastructure projects, and their availability has reduced the cost of heavy construction equipment.
- Agricultural sector: The constantly expanding trend of mechanised automation underpins the vast growth prospects for the demand for agricultural tractors and equipment. Notably, agricultural tractors are anticipated to become widely used in developing nations, supported by rising farmer expenditure on automating many farming tasks.
- Ports sector: The demand of off-highway vehicles from port and material handling industry is also buoyant, spurred by expansion of international trade over the decades. Thus, port and material handling equipment vehicles presents abundant opportunities.
- Rise in popularity of recreational activities: Off-highway vehicles are also used for recreational activities, such as off-road racing, camping, and hunting. The increasing popularity of these activities is driving the demand for off-highway vehicles[17].

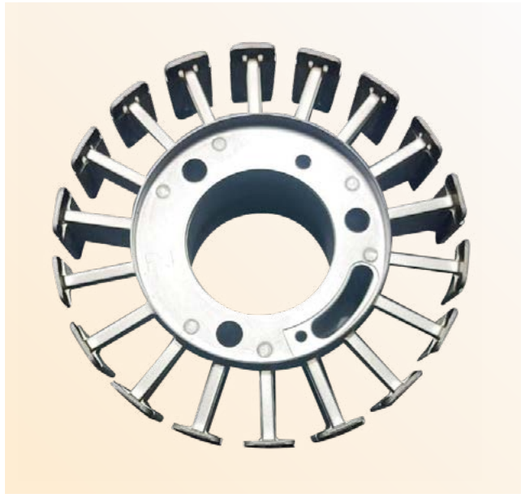
Appliances and consumer durables

The Indian market for consumer durables is anticipated to expand at a CAGR of 6.5% from 2022 to 2030. Household demand for India's consumer electronics sector continues to be supported by changes in lifestyle and accessible credit options. Due to the increased electrification of rural areas, the development in affordable housing, and the growing infrastructure, consumer durable and electronics companies estimate that the majority of expansion will come from and extend beyond Tier II towns. Consumers' preference for convenience and smart technology-based items fuels the need for high-value, feature-driven appliances that are easy to use and energy efficient.

The Indian consumer electronics durables market has attracted numerous sizeable investments in the form of FDI inflows, the entry of new brands, as well as merger and acquisition strategies used by major international market players. Also, a number of OEMs are seeking to localise their products in India in order to add value for the Indian customers.

[16] https://themetrorailguy.com/metro-rail-projects-in-india/

[17] https://www.prnewswire.com/news-releases/off-highway-vehicle-market-to-be-worth-us-1-3-trillion-by-2031---transparency-market-research-inc-301680035.html



New technologies

Electric vehicles

According to estimates, India's EV market would be worth USD 2 billion in 2023 and USD 7.09 billion in 2025. By 2030, the EV market is anticipated to reach 10 million annual sales, growing at a CAGR of 49% between 2022 and 2030. Also, it is anticipated that several auto ancillaries and related businesses would expand alongside the EV market[18] .

The Indian government has also been implementing a number of programmes to promote the expansion of electric mobility, such as 100% FDI through the automotive route in the EV space, incubator programmes, shared facilities for prototyping and small-scale manufacturing, financial support through the Credit Guarantee Scheme for Start-ups (CGSS), tax breaks, and consumer subsidies. Also, the PLI programme encourages indigenous production of EV batteries and decreases reliance on imports. This will significantly reduce the price of EVs and provide the infrastructure required to support the EV industry.

India reaffirmed its commitment to the aspirational objective of changing at least 30% of private automobiles to EVs by 2030 at the Conference of the Parties 26 (COP26) Summit. The rise in oil prices and import costs, increasing pollution, and worldwide commitments to combat global climate change are some of the main reasons for India to quicken the transition to e-mobility.

Data centres

CRISIL predicts that by 2025, India's data centre capacity would have doubled to between 1,700 and 1,800 MW from an estimated 870 MW current capacity of the nation. Between 2023 and 2025, India is estimated to add 890-900 MW of capacity [19] .

The government is ramping up its digital activities to improve the environment for data centre services with a goal of data localisation. The Ministry of Electronics and Information Technology (MEITY) has established a strategy for data centres in 2020 that elevates them to the same infrastructure status as roads, trains, and electricity. This policy aims to streamline the approval procedure for data centre services. The Ministry of Economy, Industry, Trade and Energy (MEITY) has also announced that cloud data centres will get SEZ designation.

However, a boost to data centres demand in India is expected to come from rising digitisation and internet penetration, the implementation of Data Protection Bill and the Data Centre Policy, as well as the widespread adoption of 5G services. Data centre services are also likely to benefit from tax breaks in states like Maharashtra, Karnataka and Uttar Pradesh, as well as energy subsidies and discounts on land costs.

Operational and financial review

Despite macroeconomic challenges, Pitti has registered an encouraging operational and financial performance during the reporting year. On account of reduction in inventory level and improvement in realisation from debtors, the Company was able to reduce the working capital cycle. This helped enhance our cash flow.

The key financial highlights of the Company are summarised as below:

(₹ in crore)

Particulars	FY 2022-23	FY 2021-22	Y-o-Y change
Revenue from operations	1,100.17	953.82	15.34%
EBIDTA	151.39	132.63	14.14%
PAT	58.83	51.90	13.35%

Outlook

The Company looks forward to capitalise on the emerging opportunities in the RRTS, Vande Bharat, State and Metro segments in the days ahead as it anticipates strong demand from Railways business segment. The Company's focus on the machine components business will continue which is likely witness a sizeable growth from next financial year. The Company has also developed laminations for a number of electric mobility platforms and customers in the hydro power segment.

The Company is well positioned owing its new product developments coupled with 'China plus one' strategy and is expected to see continued growth in the export business in the upcoming years.

[18] https://www.investindia.gov.in/team-india-blogs/electric-vehicle-ev-sector-india-boost-both-economy-and-environment

[19] https://www.crisil.com/en/home/newsroom/press-releases/2022/06/indias-data-centre-capacity-to-double-by-fiscal-2025.html

Key ratios

Particulars	2022-23	2021-22	Y-o-Y Change	Reasons for variance more than 25%
Inventory Turnover (No. of times)	4.30	4.44	-3.15%	-
Debtors Turnover (No. of times)	5.70	5.07	12.43%	-
Interest Coverage Ratio (in times)	3.97	3.88	2.32%	-
Current Ratio (in times)	1.20	1.19	0.84%	-
Debt Equity Ratio (in times)	0.87	1.04	-16.35%	-
Operting Profit Margin (%)	13.76	13.91	-0.14%	-
Net Profit Margin (%)	5.24	5.44	-0.20%	-
Return on Net Worth (%)	19.04	19.97	-0.93%	-
Debt Service Coverage Ratio (in times)	3.60	2.81	28.11%	Increased earnings on account of overall business growth.
Trade Payables Turnover Ratio (in times)	3.40	5.16	-34.11%	Due to the improvement in credit period by vendors, the payable outstanding has increased, which is favourable.

Risk management

The Company's established Risk Management framework has actively assisted it in identifying the risks and mitigating them through mitigation strategies that are periodically reviewed and monitored. The framework is also integrated into the Company's process for strategic business planning. Critical assumptions underlying the strategy are identified and addressed, as are important internal and external risks inherent in each of the business verticals.

Risk management at the Company is based on the following pillars:

1. Compliance Risk Management
2. Process Risk Management
3. Enterprise Risk Management (ERM)

Compliance risk management includes a mechanism of reporting and assurances with respect to adherence with laws and regulations prevailing in the country.

Process risk management involves review of business related operational and financial processes and controls through a risk-control matrix.

Identification and mitigation initiatives of other enterprise risks are overseen on a continuous basis by the Management and business teams.

During the year FY2023 a Risk Management Policy was developed to detail the process for identifying, assessing, and responding to enterprise-wide risks. The Company's ERM program operates with the following aims:

- Proactively manage risks and drive timely mitigation.
- Optimize costs and the effort needed to manage risks.
- Build necessary resilience via crises management or business continuity plans.
- Improve compliance with good corporate governance guidelines and practices, as well as laws and regulations.

The ERM program covers financial risks, commercial and operational risks, sectoral risks, sustainability and ESG risks, information and cybersecurity risks, crisis interruption and business continuity risks to meeting the Company's objectives and goals. Additionally, significant process or compliance risks are escalated as enterprise level risks.

severity and frequency/likelihood) has been defined, and a formal monitoring and governance structure has been set up. Also, a risk universe and taxonomy has been developed to define and aggregate risks across the Company.

The Company currently manages the following material risks:

Commercial | Growth risks

The Company operates in an organically growing, but niche segment. To secure its growth aspirations, the company has been meticulously focusing on meeting customer expectations, securing talent and the enabling infrastructure in a timely manner.

The Company is actively pursuing modern technology-enabled business opportunities in the Electric Vehicles, Aviation and other sectors. Europe is increasingly emerging as a source of opportunity for the Company and the Company management, supported by the Commercial team constantly monitor the emerging landscape to capitalize on the opportunities and mitigate potential threats.

Commercial | Customer concentration

The Company's overdependence on a particular customer, user segment or region can pose a business risk in case of the said customer undergoing a business crisis or preferring to shift to another supplier. In addition to focusing on long-term customer relations, the Company manages this risk by increasing its value proposition via forward and backward integration and by diversifying its customer base.

Commercial | Competition

Many competitors vying for the same business may lead to revenue and margin erosion. The Company, through its successful pursuit of forward and backward integrations, has been able to insulate itself from standalone competitors across the highly staggered value chain and in the process develop stickiness with clients. This form of differentiation has been a constant endeavour to stay competitive both globally and in India.

Operational | Geopolitical Risk

In the earlier few quarters, multiple geopolitical risks events including the war in Ukraine, Financial Sector Contagion and the Pandemic have been negatively impacting demand for several industries and increasing input costs. The Company is constantly assessing these unfolding events and scenarios for any risk and/or potential opportunities to its business or supply chain.

Operational | HR and People

Any erosion in commitment, competence, and compassion of employees towards the Company's stated vision of value creation can incapacitate the Company's abilities and reputation. In line with its vision and goals, the Company constantly endeavours to secure a skilled talent pool, impart the right technical trainings, and plan second-in-line for all critical roles.

Health and Safety Risks

Occupational hazards may endanger the safety of our employees and communities around our manufacturing locations. Increased automation with extra focus on workmen's safety has helped manage and improve Health and Safety performance.

Information and Cyber Security | Digitization, Information and Cyber Risks

The Company has been embarking on digitization initiatives both in the office place and shopfloor. Notable changes include extended use of cloud-based solutions for banking and other office applications, automation / robotics and IOT device connectivity in manufacturing plants, as well as increased leverage of ERP systems.

While these digitization initiatives favourably affect the achievement of desired efficiencies, they also bring with them potential risks if not correctly implemented. The Company is focused on regularly training its staff on the new IT protocols or controls to be followed, while parallelly implementing information and cybersecurity safeguards

Sectoral| Technology risk

Being in the business of engineered goods with a significantly higher level of customization, the Company's business is susceptible to technological/ product process obsolescence. The Company deploys a twin-pronged approach to stay ahead of the technological curve. First being steady addition of capacities that imbibes the best-in-class global technologies and processes available at that point in time. The second level of this approach is to undertake periodic modernization of its legacy facilities by way of maintenance capex.

Sectoral | Economic Risks

The Company's business is in a capital-intensive sector that is inextricably linked with the overall economic, infrastructural, and industrial growth of the country/region. Geographic and customer segment diversification, including into a few non-capital goods continue to be key response strategies deployed by the Company.

Financial Risks | Commodity and Forex volatility

The recent geopolitical events have made both the foreign exchange, commodity, and input costs very volatile. Where possible, the Company insulates itself against these risks through its agreements and contracts. Additionally, where possible, hedging strategies are deployed to manage open exposures from commodity price increases or foreign exchange volatility.

Financial Risks | Liquidity

The Company's business is in a capital-intensive sector involving a longer cycle of product development that often includes proof of concept components as well. Besides a strong balance sheet, the Company always follows a prudent working capital management regime.

Sustainability and ESG | ESG Risks

While the Company operations do not pose a significant environment risk, the Company is mindful of reducing its carbon footprint through steady rationalization of energy and water consumption and continues to adhere to the principle of 4Rs (reduce, reuse, recycle and recover) along with investing in energy-efficient capital equipment.

Following-through on Environment, Social and Governance (ESG) commitments to regulators, customers and investors enables the Company to secure its reputation and future business opportunities.

Crisis Management, Business Interruption and Business Continuity | Crisis events

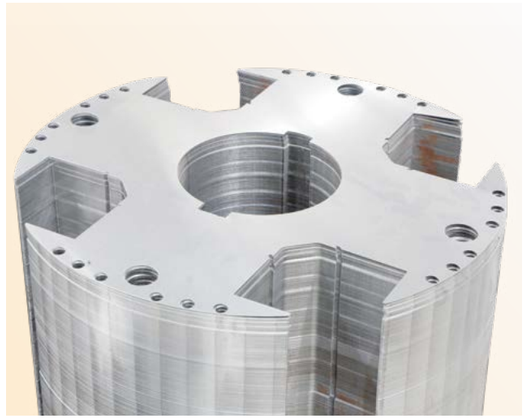
In the past, the Company effectively managed the COVID-19 pandemic through a combination of careful planning and resilience. High severity and high velocity (High velocity risks have extremely low time to affect) risks and crisis events are factored for BCP or contingency plans.

Internal control system and adequacy

The Company has a robust and effective internal control mechanism in place, one that is commensurate with the size, nature and complexities of its business. Internal control mechanism, which is benchmarked with evolving best practices at regular intervals, ensures Company's adherences to all applicable regulations in letter and spirit. It also protects Company's various assets from unauthorised use while also ensuring accuracy of financial reporting.

The Company's robust Management Information System, spanning all critical functions, forms an important pivot of internal controls. The leadership team, including all the functional/ unit heads, serves as the first ring fence. Periodic internal audits and the second ring fence formed by an independent internal auditor, reviews control mechanism and its efficacy. The internal audit is entrusted to an independent Chartered Accountants firm, M/s. SVD Associates.

The Audit Committee periodically reviews the efficacy of control mechanism, offering improvement suggestions, as and when required. Internal control on financial reporting is attested by the Company's statutory auditors.



Human resource

The Company strives to create a work environment that fosters a healthy and secure work environment for its employees since it believes that human resources are the most precious assets in any organisation. The Company recognises that its human capital has a significant impact on its growth, success, productivity, and shareholder value. As a result, it provides multiple opportunities for career progression while also rewarding and recognising exceptional achievement.

Moreover, the Company remains steadfast in its commitment to institutionalise and enhance its human resource practices. The establishment of a culture that embraces continuous learning, collaboration, and high-performance, coupled with adequate recognition and incentives, significantly contributes to harnessing the full potential of its human capital. The Company facilitates the comprehensive development of its employees through well-structured training programmes, on-the-job learning opportunities, and refinement of their behavioural skills. This collective effort ensures the holistic growth of its workforce.

The Company has 1331 Employees as of 31st March 2023.

Opportunities and challenges

Opportunities

- **China-plus-one strategy**

  India is in a strategic position as a result of its geographical location, vast market, skilled workforce supply, and low labour costs. As more international manufacturing companies begin to transfer their bases away from China in the wake of the pandemic and trade tensions, it presents significant opportunity for the Company to attract overseas orders and investments.

- **Government incentives**

  The Aatmanirbhar Bharat scheme, places a strong emphasis on import substitution and exports from India, along wih the Production Linked Incentive (PLI) scheme for investments in domestic manufacturing across key sectors, have made India a preferred location for manufacturing around the world. The Company can leverage the opportunity to expand its footprint.

- **Growing demand for engineering services**

  Engineering services are in high demand across the world as companies and governments invest in infrastructure, manufacturing, and other initiatives. This creates opportunity for the Company to grow its operations and serve a broader spectrum of clientele.

- **Advances in technology**

  Advances in technology are creating new opportunities for engineers, as they are needed to develop and implement new technologies. The Company can stay ahead of the curve by investing in research and development and by hiring engineers with expertise in emerging technologies.

- **Globalisation**

  The global economy is becoming increasingly interconnected, which creates opportunities for engineers to work on projects in different countries. The Company can tap into this opportunity by expanding its international presence.

Challenges

- **Competition**

  The engineering industry is highly competitive, with many companies vying for clients.

- **Geo-political**

  Geo-political developments and supply chain disruptions pose a challenging environment due to volatile raw material prices.

- **Skills shortage**

  There is a shortage of skilled personnel in many countries, which can make it difficult for the Company to hire the talent it needs.

Cautionary statement

Statements in this Management Discussion and Analysis report that describe the Company's objectives, projections, estimates, expectations, or predictions may constitute 'Forward-looking statements' within the meaning of the relevant laws and regulations. These statements are predicated on a number of expectations and assumptions about the future. Since the Company's operations are impacted by several internal and external factors outside of its control, actual results could significantly differ from those stated or inferred. The Company disclaims any obligation to update publicly any forward-looking statements in light of new information, future developments, or other factors. The risks listed here are not exhaustive, therefore readers are advised to be cautious. Readers are urged to use their best judgement when determining the risks connected to the Company.