Management discussion and analysis

Global economic review

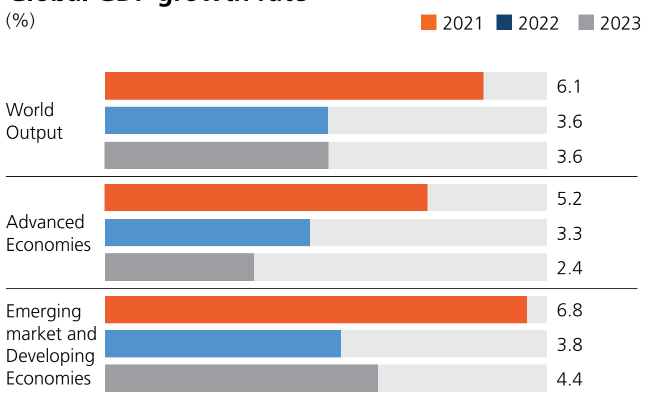
After witnessing significant contraction owing to the COVID-19 pandemic in 2020, the global economy recovered to a certain extent in 2021. However, the momentum was suddenly halted in Q2 by a deadlier variant of the virus, the impact of which was fortunately short lived. The subsequent recovery was supported by vaccination drives being conducted by governments worldwide, despite repeated attacks of virus mutants in several countries of the world.

Towards the end of Q4 FY 2021-22, geopolitical tensions arising from a prolonged Russia-Ukraine conflict further increased downside risks to global growth by disrupting supply chains. Prices of crude, crude derivatives and other commodity prices have since surged significantly, thereby worsening the already high inflation dynamics of both advanced as well as emerging/developing economies.

Inflation has touched multi-decadal highs in the US and many other advanced countries, accelerating policy tightening measures by Central Banks. Economies are now focusing on stabilising the inflation trajectory, without hurting growth prospects.

Global GDP growth rate

(%)



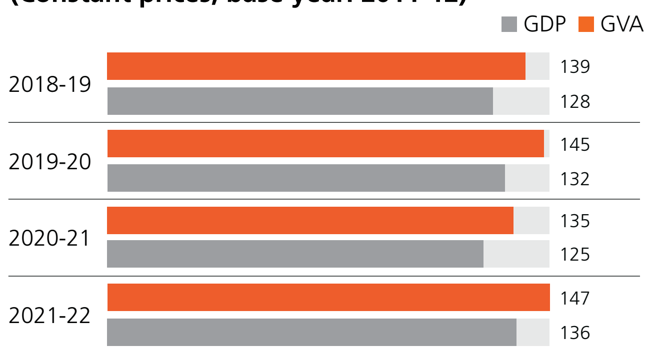
Source: International monetary fund

Indian economic review

Against the backdrop of pandemic-induced headwinds and geopolitical conflicts in Europe, India remained relatively resilient. The economic recovery was supported by fiscal and monetary measures of the Government of India and the Reserve Bank (RBI), respectively. It grew by 8.7% in FY 2021-22. The country's merchandise exports performance remained buoyant growing by 14.53% and crossing the $400 billion mark in FY 2021-22. However, imports growth too remained strong at 55% during the year. The country's formidable consumption engine came back to life as the economy gradually gained momentum and mobility restrictions were lifted. However, two factors have slowed the overall economy in the latter half of FY 2021-22: firstly, inflationary pressures have affected demand and sentiment; secondly, the rural economy and consumption trends and have been slow compared to FY 2020-21 when the rural economy was relatively strong and less impacted vs. the urban economy.

The government's renewed focus on creating new infrastructure and upgrading legacy assets will also act as a positive tailwind for the economy, going forward. With over 35% y-o-y increase in capital expenditure and a proposed infrastructure spend of over ₹ 10 lakhs crore in the Union Budget 2022-23, the government has reinforced its commitment to using infrastructure as a force multiplier for sustained economic growth.

Gross domestic output
(Constant prices, base year: 2011-12)



Source: National accounts statistics, MoSPI

The country's real GDP is estimated to have grown by

8.7%

in FY 2021-22

Industry overview

Consumer-facing business

Kitchen appliances

The increasing per capital income and shift in consumer sensibilities continue to positively impact the kitchen appliances industry. The pandemic drove greater penetration of various kitchen appliances across Indian households as well as upgradation of the features, functionalities and quality being sought by consumers. The demand (in value terms) is expected to continue to grow in double digits over the medium to long term as penetration levels will continue to rise.

Several other factors will continue to act as tail-winds. The rise in working women across strata, increasing aspirations of Indian consumers, demand for easy-to-use cookware and appliances, deeper rural electrification, etc. are all positive contributors. Further, the robust growth of India's food business, including small food outlets, restaurants, and cafés, has also contributed to the boost in demand for kitchen appliances. In addition to this, the demand for quality and assurance is leading to a continued shift towards organised, branded players.

Domestic appliances

Household appliances are amongst the fastest-growing sectors in the Indian market. The pandemic accelerated this growth further. The shift towards work-from-home and hybrid-working culture made consumers invest in purchasing/upgrading the various domestic appliances. In addition, other factors such as increasing affluence, consumer aspirations, evolving attitudes towards considering these as lifestyle choices to enhance quality of life rather than just serve basic utilitarian needs will continue to act as demand drivers.

Fans industry overview

Government schemes for the development of real estate have propelled the housing sector, which, in turn, has pushed up the demand for ceiling fans. The Indian fan industry is now valued at roughly ₹ 8,000 crore (US$ 1.07 billion), and it produces approximately 60 Mn units each year.

The government has announced regulations for the mandatory adoption of BEE star labelling to drive a shift towards more energy-efficient fans in line with overall energy and climate goals. In the short-term the shift to star-rated energy-efficient fans will raise costs, but ultimately this will drive a greater churn and shift amongst consumers towards these fans and ensure products are made to higher, common standards and quality. This will benefit consumers as well as organised players. As fans are a common-man product and necessity, the industry is engaged with the authorities for reduction in the GST rates, to partly off-set the costs and smoothen the shift to the new mandatory star labelling.

Consumer lighting industry overview

LED lighting forms the dominant part of the consumer lighting industry. The Indian LED lighting market is expected to grow at a CAGR of 24.3% in the period between 2022 and 2026. Increasing urbanisation and several government initiatives that encourage the use of LED lights have driven up its demand. LED lights are replacing conventional light bulbs in India due to various enabling reasons. In addition, LEDs are employed in vehicle headlights, aircraft, general lighting, advertising, lit wallpapers, medical equipment, camera flashes, and traffic signals, thus leading to the expansion of the industry.The market for LED lighting is expected to continue to develop rapidly in the next few years in tandem with the growth in housing and real-estate industry across the country. The demand for value-added items including panels, battens, and down-lighters is providing a fillip to the industry.

Over the past several years, while LED adoption was increasing, it was accompanied with rapid price erosion due to technological evolution and scaling up. At the same time many players had adopted unviable warranty practices, thereby further impacting the health of the industry. Both these aspects are correcting now, with the pace of price erosion having slowed down and unviable warranties being discontinued. This bodes well for the health of the industry and also consumers as it reduces the need and scope for many players to resort to other malpractices to ensure viability. The coming years will be led by greater innovation and value-added products in consumer lighting.

Opportunities and threats

Opportunities:

- Change in consumer tastes and preferences: The pandemic triggered the consumers to upgrade their homes to offer a higher degree of convenience and quality of life. Consumers want devices that not just provide functionality, but alsoand look aesthetic and match their home décor.
- Energy-efficient appliances: People are increasingly becoming concerned about the environment as well as saving on their power bills. This will lead to increased demand for energy-efficient lighting solutions and appliances.
- Increasing affluence and living standards: Increasing disposable income and changing consumer preferences have encouraged consumers to adopt modern lighting solutions, designer fans, feature-rich home appliances that not just make their fast-paced lives convenient but also reflect their rising affluence.
- Urbanisation: In an emerging economy like India, urbanisation and housing development is growing at a rapid pace. This provides a significant opportunity for the industry to grow.
- Increase in demand in rural India: With the increase in penetration of electricity, internet and online shopping platforms in rural areas, the demand for appliances continues to grow. The rise in agricultural incomes due to hike in Minimum Support Prices by the government is expected to support a bounce-back in rural demand and purchasing power.
- Consolidation and shift to organised segment: The Indian economy continues to demonstrate a shift towards more organised players across sectors, driven by various factors including the roll-out of the GST regime and this shift has accelerated during the pandemic. The shift towards energy-efficient products, adoption of mandatory standards and star-rating as well as consumers' increasing preference for quality products will continue to weed out unorganised and lower-quality players.

Threats

- Commodity price inflation: Raw material prices have been on the rise due to various supply chain bottlenecks caused by factors like lockdown and geopolitical instability. This is leading to pressure on margins and poses a significant challenge to the business.
- Demand uncertainty: Economic volatility and the increasing frequency and magnitude of disruptive events have affected the discretionary incomes and demand sentiment. This volatility is also affecting the predictability of demand and the ability to forecast and plan efficiently.
- Competitive intensity: While the industry size for most categories is growing and expected to be healthy for the next several years, this in turn is attracting several more players, leading to much greater competitive intensity. New players include those diversifying from adjacent categories, venture-capital-funded start-ups, direct-to-consumer brands, private label offerings, etc.

Engineering, procurement and construction (EPC)

Infrastructural and commercial lighting sector

The lighting sector has seen a fundamental shift from traditional to smart lighting solutions. LEDs form a significant part of it. The government's constant support to promote investment in energy-efficient lighting technologies has boosted the use of LED lights across various infrastructural, industrial and commercial sectors.

Under the Street Lighting National Programme (SLNP), more than 1.23 crore LED street lights have been installed across India till March 2022 through Energy Efficiency Services Limited. This has resulted in saving 8.33 billion kWh of energy per annum, 1,387 MW of peak demand has been avoided, and a 5.73 Mn tonnes reduction in CO2 emissions per year.

Additional factors like colossal investment in infrastructure by the government, lower average prices of LEDs and smart building projects are integral in driving the demand for LED lights in India. Sustainable solar lighting solutions are being used for a few NHAI projects, which adds to saving benefits.

Apart from functional lighting, modern infrastructures use façades or architectural lighting that contributes to the location's vibrancy. Such beautification projects are the core of the infrastructural illumination sector. Entry points to cities or localities such as railway stations, airports, metros, and jetties use vibrant ambient lighting fixtures to improve ease of commuting.

The requirements and growth of this sector are being matched and driven by continuous technological innovations, smarter and more energy-efficient products, sector-specific designed products and more solution-oriented offerings (rather than just product offerings).

Power sector

The country's sustained economic growth is driving the power demand in India. The government's focus on achieving 'power for all' has accelerated capacity addition. Simultaneously, both markets and supply sides are increasingly becoming competitive. The government has recognised the power sector as a critical emphasis area for promoting long-term industrial growth. It has reaffirmed its decision to expand the country's renewable capacity to realise its objective of achieving 227 GW capacity in renewable energy. The impetus for energy transition is set to increase power generation from renewable sources, which is anticipated to rise by 125-150 bp annually till FY 2024-25.

In addition, coal-fired power-generation capacity in India, which stands at 203.9 GW as of January 2022, is expected to witness an increase to 330-441 GW by 2040. However, increased heat waves increased the demand for air-conditioning in the country, causing demand to outpace supply and transportation of fuel. Despite record-breaking production of coal, many utilities were unable to restock due to the lack of supply. A lower pre-monsoon coal stock exacerbated the already strained situation. The crisis has compelled India to modify its policy of reducing thermal coal imports to zero and to allow utilities to continue importing for the next three years. India also intends to restart more than 100 coal mines.

With the growing number of government projects for the development of smart cities, the recent government initiative to double highway construction from 13,000 to 25,000 kilometres in FY 2022-23 and increased spending on housing, electricity consumption is projected to skyrocket further. The future prognosis thus remains cautiously optimistic and the power consumption is expected to grow by 6.5% from 2022 to 2045.

Power transmission and distribution

India's power industry is one of the world's most diverse, with power generating options including coal, lignite, natural gas, oil, hydro, and nuclear power, as well as non-conventional options including wind, solar, and agricultural and household waste.

With an installed power capacity of 3,95,075 MW as of January 2022, India is the world's third-largest producer and second-largest user of energy. India's electricity consumption is expected to rise as industrial and manufacturing activity expands. Population growth coupled with increased electrification is expected to raise this electricity demand to 1,894.7-terawatt hour (TWh) in 2022. A substantial increase in power transmission and distribution network is necessary to fulfil the country's growing need for power.

Increased expenditure in creating a viable power network, and supporting regulatory changes are the key drivers of growth in the segment. Rapid technical developments have resulted in the inclusion of energy-efficient, ergonomic and cost-effective equipment.

The transmission tower sector is expected to encounter huge power demand in the future, as well as the need to repair the ageing infrastructure. The development of an advanced new-age grid capable of supporting the demands presented by growing urbanisation and industry would require new investments.

The Indian government is encouraging massive investment in distribution networks over the next five years through Revamped Distribution Sector Scheme (RDSS) to address the sector's recurring losses. Transmission and distribution losses have been haunting the industry for a long time, with average losses being around 22-25%. To minimise these losses, an auditing policy has been launched. It mandates that a certified energy manager is to conduct quarterly energy accounting, which will provide detailed information on electricity consumption by various categories of consumers, as well as transmission and distribution losses in various areas, allowing for corrective actions.

In addition, there is a growing emphasis on sustainability and technical innovation in the power industry in order to improve operating efficiency.

Opportunities and threats

Opportunities

- Government policies such as UDAY 2.0, Power for All, RDSS, Green Energy Corridor, and vehicle electrification will continue to boost the power sector.
- The government has committed to make an investment of ₹ 3.05 lakhs crore in upgrading the infrastructure of power distribution companies. Smart metering and system upgrades are expected to reduce transmission losses and improve the transmission and distribution system in India.
- The introduction of electric vehicles (EV) in India has opened a new dimension for power demand in the country. India is estimated to have nearly 261 Mn EVs on the road by 2030. To enable that, a proportionate number of charging stations and associated infrastructure will be required. Also, 100% electrification of broad-gauge routes by December 2023 is expected to add to the demand for electrification of mass transit systems. With the increasing demand for power in India, generation capacity will be expanded, thus balancing demand and supply.
- The government's emphasis on 'Make in India' and 'Aatmanirbhar Bharat' initiatives is likely to increase power demand from the industrial sector by encouraging local manufacturing.

Threats

- A limited supply of raw materials poses a substantial challenge to the Indian power sector. Also, acquiring raw materials has become challenging, especially in view of extreme volatility in global price levels of items such as aluminium, copper, steel, zinc, crude oil, coal and natural gas.
- Critical shortage in coal supply exacerbated by weak logistic infrastructure poses a significant threat to the power industry.
- Poor record of timely payments and honouring of contractual terms by various infrastructural agencies and clients poses a recurring challenge for timely closure of projects and recoveries and working capital management.

Company overview

Bajaj Electricals Limited (BEL) is a part of the leading business conglomerate 'Bajaj Group'. With a legacy of more than eight decades and a business portfolio that spans across consumer products (Appliances, Fans, Lighting) and EPC (Illumination, Power Transmission and Power Distribution), Bajaj Electricals also has a strong presence in premium home appliances and cookware segments.

With a wide network of 20+ branch offices, 550+ distributors, ~2.30 lakhs retail stores in India, and 617+ consumer care centres, Bajaj Electricals demonstrates strong dominance in the consumer products sector.

The portfolio under the EPC segment of Bajaj Electricals Limited includes high mast and street lighting, sports lighting, industrial and commercial lighting, and specialised illumination projects on a turnkey basis. The portfolio also extends to EHV transmission line projects, EHV substations, monopoles for transmission and distribution and electrification projects.

The company has further consolidated its stake in Nirlep Appliances Private Limited and is in the process of merging Starlite Lighting Limited with itself. Both of these entities have manufacturing facilities that act as key suppliers to the Company. The Company also has an expanding geographical footprint in international territories through its own presence in the Middle East and partnerships with various channels and intermediaries.

Business segment overview

Consumer products business

Notwithstanding the unfavourable conditions, the consumer products segment performed well. The unprecedented commodity inflation raised product costs. The Company had to resort to multiple price hikes to offset the cost increases, however this was done in a calibrated manner to protect consumers and demand. Despite the impediments, the revenue from the segment crossed ₹ 3700 crore mark registering a growth of 14% over the previous financial year. Owing to strong brand loyalty and good product quality, price hikes at various intervals were agreeably received by the market.

With the introduction of premium products with unique features (such as premium range ceiling fans, digital/ anti-stain mixer-grinder, 18 blade BLDC pedestal fan and insect-shield LEDs), the brand and product strategies were redefined to ensure continued leadership in the aforementioned categories. Additionally, the Company enhanced its addressability and product portfolio in other major categories such as premium fans, table wall pedestal fans, lighting, and NPG (NEKA (non-electrical kitchen appliance), Pressure Cooker and Gas Stove) to grow its market share. Consumers have responded well to new products, thus bolstering overall sales.

₹ 3,770 crore
Revenue from the consumer products segment

42%
YoY growth in revenue from the export market

177
SKUs launched in FY 2021-22

The consumer products category accounts for almost 78% of the Company's total revenue. Fans and appliances were the major revenue drivers in FY 2021-22, with key appliances grew by 14% and fans grew by 21%.

Notwithstanding the headwinds of the international market, exports rose by more than 40% in FY 2021-22, with B2C exports recording exceptional growth. Some of the Company's primary overseas markets include Ghana, the UAE, Sri Lanka and Bangladesh. The Company employed various brand recognition methods such as in-store promotions, to increase its brand awareness. Digital campaigns also assisted brand promotion in key regions. With a strong brand recall, the Company expects to amplify its business and expand its geographical presence.

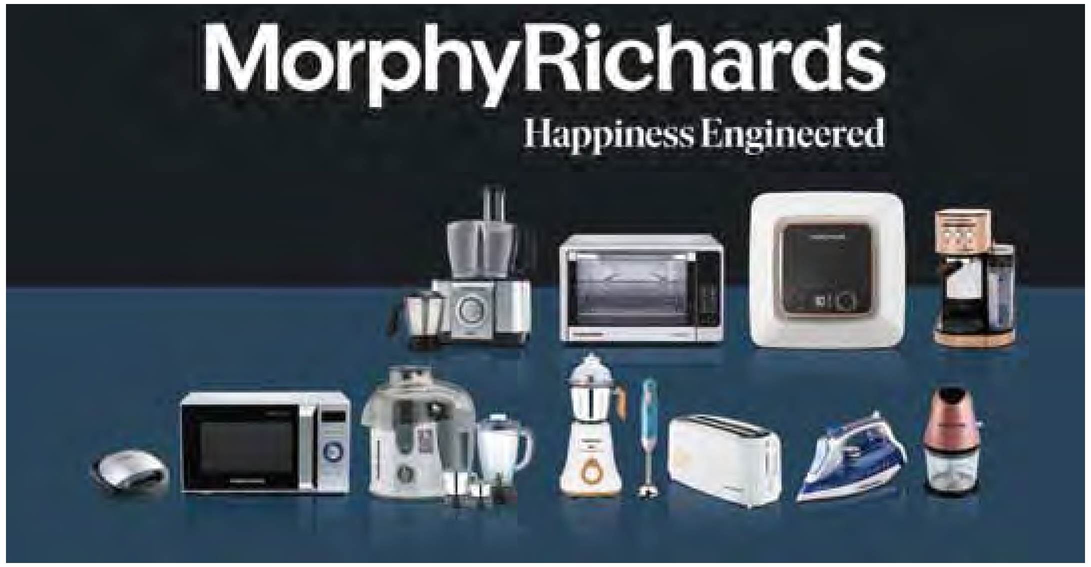
Consumer products	Sub-category	Percentage share in total revenue mix in FY 2021-22
Appliances (includes kitchen and domestic)	Mixers, food processors, juicer mixer grinders, induction cookers, rice cookers, oven toaster grill (OTG), microwave ovens, non-electric kitchen appliances (NEKA), pressure cookers and gas stoves, water heaters, irons, air coolers, and room heaters	53.7%
Fans	Ceiling fans, table and wall fans, pedestal fans, air circulators, domestic exhaust fans	28.3%
Lighting	LED lamps, battens, panels, electrical accessories	12.1%
Morphy Richards	Coffee makers, OTG, microwave, juicer-mixer- grinder, toasters, water heaters	5.9%

Morphy Richards – Premium home and kitchen appliances brand

Bajaj Electricals renewed its exclusive long-standing licence agreement with United Kingdom-based Morphy Richards Limited. The renewed agreement is being extended for 15 years with effect from 1st July, 2022. This is the first time that this license agreement is for such a long tenure and it will empower Bajaj Electricals to plan and grow the Morphy Richards business with a long-term view, viz. with a clear product development and expansion roadmap for the market and supported by brand building and a go-to-market thrust. This will result in a stronger product portfolio and wider availability of Morphy Richards products for consumers in India and neighbouring countries.

During FY 2021-22, to meet the needs of the modern Indian customer, the Company released a new range of food processors. All of the launches were aligned with the new Morphy Richards colours, materials, and finishes (CMF) scheme, which is aimed at attracting young urban consumers. Room heaters and coffee makers were the dominant categories, with a growth of 65% and 44%, respectively.

The Company also provides year-long support and special incentives to its large and small retailers in order to widen its reach and increase counter share. To overcome channel conflicts, it also used a 'different model for different channel' (DMDC) approach. In order to promote Morphy Richards' products, the Company also used influencer marketing, festive media campaigns, and an awareness drive in the Southern region.



65%
Growth in sale of room heaters

Nirlep appliances

Due to raw material supply and cost challenges, the brand registered a flat performance throughout the fiscal year under review. However, in order to retain its position as one of the leading players in the non-electric kitchen appliance category, the Company has been concentrating on further growing its distribution network by adding exclusive distributors, developing its online presence, and introducing new and unique items to its portfolio.

With better procurements from secondary sources and the introduction of a wider product portfolio (includingan augmentation of the existing non-stick range as well as new categories), the segment offers a promising outlook and revenue growth going forward.

40
New channel partners added

4
New products launched in the tri-ply stainless steel segment

Sales performance through various distribution channels

Trade sales channel

Despite the unfavourable conditions in the initial few months, the trade sales channel demonstrated considerable growth. Some of the key product categories, including induction cookers, LED battens, LED recessed, gas stoves, water heaters, room heaters, dry irons and pressure cookers experienced robust growth.

Apart from upcountry markets, the Company has made a concerted effort to effectively penetrate remote locations. To that end, it has begun appointing super stockists in these areas which gives the Company a competitive edge. The recently introduced same-store sales growth (SSSG) strategy offered a good start during the year under review.

During the year, specific initiatives such as network correction, day sales outstanding (DSO) realignment, and a separate business development team for the lighting business helped streamline focus and further augment volumes. Schemes and programmes were designed considering the regional and zonal challenges for better market extraction. The Company adopted a commercialisation process to track the placement of the newly launched SKUs as per the seeding plan. The Company is currently working upon boosting its weighted distribution as well as presence and counter share in urban markets to bolster growth in the near future.

6%
YoY growth in revenue through trade sales

Alternate channels

In FY 2021-22, the alternate channel contributed ~33.5% of the total revenue from the consumer products segment, recording a YoY growth of 24%. This can be attributed to the evolving consumer behaviour along with strategic alignment with all key customers. Greenfield B2B channels (private and government) recorded significant growth through the steady implementation of key strategic levers. Consequently, government channels, consisting of canteen stores department (CSD) and central police canteens (CPC), registered a strong recovery.

The **e-commerce channel** grew by 23.5% YoY. This can be owed to the rebalancing of the platform business mix and effective implementation of vendor flex. The 'Different Model Different Channel' (DMDC) structure was also followed to ensure growth. Digital marketing was strategically carried out with an 'always on' approach to enhance visibility. The Company is utilising new e-commerce platforms such as Tatacliq and Blinkit (earlier Grofers) to further increase its products' accessibility. In terms of online sales, fans and water heaters witnessed robust growth in FY 2021-22.

In the **modern trade channel**, offering a premium experience was the major objective along with the expansion of geographical footprint. Under this channel, total sales have registered a YoY growth of 20% and contributed ~8% of the total revenue. This includes strong contribution from National Format Retail (NFR) stores and from Regional Format Retail (RFR) stores.

Throughout the year, the channel had in-store activations, such as bulk outs, stacking displays, drop shots, aisle optimisers, cross-promotions, and combo offers to boost purchases. The Company successfully captured the festive market to further bolster growth. The Company has a solid advertising strategy, which has allowed the brand to lead across all advertising media. The emphasis for FY 2021-22 remained on new listings and promotional activations, new category introductions, and exclusive launches.

The **institutional channels** recorded robust sales, representing a growth of 77% YoY. The Company had forayed into various sectors in FY 2021-22 such as microfinance institutions, cement, replace-and-remodel segments and the state public works department. The Company used a consistent and predictable forecast-based approach to optimise stock availability. In FY 2021-22, the channel initiated the development of segment-specific propositions with a steady focus on government departmental approvals and renewals to fuel growth.

The Company witnessed robust growth in the **government channel (CSD and CPC)** after a long haul. This is due to the effort made for one-to-one replacement of import and phased out items, the introduction of 'Made in India' SKUs, and the launch of project Nayi Disha with the procurement team. The channel recorded improvements in on-time in-full (OTIF).

These measures significantly improved the overall outstanding and overdue collections. The Company strives to build business through Against Firm Demand (AFD) mode along with building new avenues. In the coming years, the Company will focus on expanding through ex-para channel, category expansion and state bodies, such as police boards and reserve forces.

23%
YoY growth in e-commerce sales

596
Distributors as on 31st March, 2022

1700+
R-MFR stores across the country as on 31st March, 2022

1600+
N-MFR stores across the country as on 31st March, 2022

Research and development

To meet evolving needs of the customer, the Company places a strong emphasis on R&D. Owing to its domain expertise, Bajaj Electricals is at the forefront of innovation and releases advanced goods in the market, gaining insights from extensive market research which helped the Company identify key trends, gaps and opportunities in the market. Consequently, BEL's products were received well by the consumers.

The Company focuses on developing unique consumer products which addresses the pain point of the consumers. This further improves the products to be either more consumer-centric or more organisation centric. Beyond all these, improvements in terms of quality, features, designs and affordability remain the primary focus. Additionally, all of the items adhere to all applicable national and international regulations to assure absolute consumer safety.

The R&D team has now incorporated new departments, including product research, centres of excellence, and design quality, which equip the Company with advanced technologies and the latest lab setups. The lead product development team has been restructured, thus strengthening the department even more.

The Company strives to become energy efficient. Its R&D team is dedicated to upgrading the existing products in accordance with the energy star labelling regulations. The Company is essentially focused on digital products, consumer experience, material research and illumination. Bajaj Electricals is further dedicated to developing export grade products which are aligned with international standards, thus reducing the cost of poor quality (COPQ) by regulating in-house design and including the power section unit during the development process.

The Company further emphasises on developing new in-house products, optimising the cost according to the raw material prices, and meeting the CMF standards on the back of building an IP portfolio for future-proofing the business. Sustainability and green operations are one of the key goals of the Company. The development of next-gen sport lighting and smart outdoor lighting solutions (group and individual lighting management), along with the development of smart products in indoor decorative lighting and customisation of SKUs for inventory optimisation, collectively offers an optimistic outlook.

BEL has approximately filed eleven patents in FY 2021-22 and has seven designs registered under its name, all of which offer to solve various customer problems.

11
Patents filed in FY 2021-22

177
SKUs Launched

Out-of-the-box innovations

Mixer-grinder with Nutri-pro feature

Nutritional loss during grinding remains a major concern for the customers. The R&D team at BEL came up with a unique solution to minimise the nutritional loss as much as possible. The team observed that different ingredients require different grinding speeds to preserve their nutritional benefits. To effectively solve the problem, it developed a unique mixer-grinder architecture with a success rate of more than 90% at any grinding speed.

Bajaj Juvel mixer-grinder with fast and hassle-free grinding

To optimise cooking time, the R&D team designed the blades and the jar (a square jar without flow breakers), which facilitates an efficient flow of the ingredient toward the blade and thus speeds up the grinding process. In addition, the lid needed to be held tightly in case of large amounts of ingredients. To solve the inconvenience, the Company introduced a hands-free lid-lock to ensure hassle-free grinding allowing the user to multitask.

Product marketing and branding

Bajaj Electricals is a market leader in major electrical goods segments. Its flagship 'Bajaj' brand enjoys unparalleled legacy and trust. All marketing efforts are designed to build on this powerful legacy and trust, while yet positioning the offerings and brand as contemporary, aspirational and providing superior proposition to the consumers.

The Company prioritises delivering a consistent and integrated communication approach across consumer touch points. It has implemented a hybrid mode of communication as it believes it is the most effective way of engaging with the new-age customers. Thus, the Company uses an appropriate blend of Above the Line (print and broadcast), Below the Line (in-shop branding, free-standing units, leaflets, countertop units) and digital media (social media platforms, e-commerce sites, Company website and Google ads) to create enhanced brand awareness and visibility.

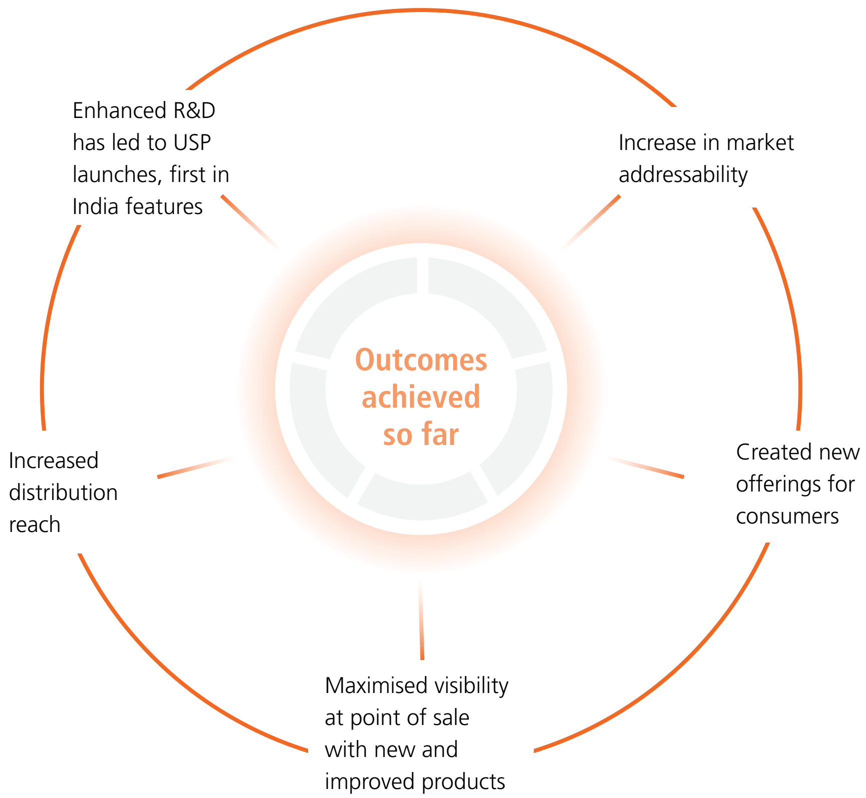
Leveraging the new influencer culture, the Company collaborates with celebrities and micro-influencers to promote new kitchen appliances. Chef Kunal Kapur and Masterchef Pankaj Bhadouria promoted Bajaj kitchen appliances through a series of recipe videos. Most of the promotional content across mediums, highlighted the USP of the products, such as their safety features, innovative designs and energy efficiency. For Morphy Richards appliances, celebrity influencers like Neha Dhupia, Soha Ali Khan and Sameera Reddy were roped in. In order to strengthen its presence in the South Indian markets, the brand also engaged with popular actress Amala Paul. This enabled the brand to gain deeper penetration and higher reach among the consumers.

During the year under review, the Company undertook six major product-centric campaigns that have helped it to achieve increased visibility across categories. With the endeavour to increase sales from E-commerce/ Marketplace, the Company has significantly improved its focus on building relevant content for eCommerce platforms and increasing brand awareness on digital mediums through multiple communication interventions across social media platforms, OTTs and e-commerce.

200+
Virtual and physical events

54%
VTR achieved through digital campaigns

198.6 Mn
Unique people in the target audience



Consumer care

At Bajaj Electricals, customer satisfaction and services form the cornerstone of its strategy. Beyond sales, the Company offers after-sales services through a vast network of service franchisees across India. This helps the Company to ensure that the customer needs are duly met. During the year under review, we added 84 new franchises resulting in a total of 617 service franchises as on 31st March, 2022 in 456 cities. The Company has also increased its capacity at its call centres in order to resolve customer queries ensuring minimum await and response time.

To serve its customers better, the Company has integrated diverse channels of communication, including voice calls through call centres, web form, email support and chatbots on the Company's website. The Company has also uploaded many DIY videos on its YouTube channel to help customers install their devices with ease at their convenience. It has further employed a web-based CRM portal for capturing customer calls online to offer a prompt response to customers in the digital space.

With such an extensive network, almost 95% of problems are addressed and solved within 48 hours of call registration, and almost 99% of the customers are satisfied with digital processes. The Company has inculcated a culture in itself by which every customer concern is addressed swiftly and their problems resolved. In the event of negative feedback during the customer survey, the customers are individually contacted to understand and remedy the issue. The Company also initiated WhatsApp chat facility during the year under review to ensure customer convenience.

617
Customer care centers in FY 2021-22

18,914
Pin codes serviced in FY 2021-22

99%
Customers are satisfied with digital processes

Outlook

The overall demand trend for the sector appears strong due to multiple factors as mentioned earlier. The commodity inflation leading to sharp price increases appears to be tapering off. This should help margins to get back to normal. Given the various initiatives being driven by the Company on product development and innovation, brand and marketing push and a go-to-market thrust across all channels including international markets, the performance of this segment is expected to continue to improve on revenues as well as margins. The level of competitive intensity has increased significantly in recent times. However, the strength of the Company's product portfolio, its distribution network and its brands will enable it to successfully deal with competitive pressures and continue to grow its market shares across product categories.

Illumination

During the year under review, the illumination segment witnessed robust growth despite headwinds such as increasing competition from unorganised players, technology obsolescence, high customisation, shortage of chips and commodity price fluctuations. The revenue from the segment grew by 16% to ₹ 625 crore in FY 2021-22 from ₹ 539 crore in FY 2020-21.The Company, on the back various initiatives, strengthened its market share as well as registered double-digit growth in shrinking markets.

In line with changing consumer behaviour and preferences, the Company revamped its LED product portfolio with higher efficacy in higher wattage offerings. It also expanded its overall product portfolio to capture untapped market segments such as Sports and Tunnel alongside launching various new and unique products across all verticals. The Company undertook the following initiatives to retain its position amid challenges:

- Providing affordable solutions with the introduction of new and unique features.
- Focusing on in-house design and development to fill gaps in the outdoor product portfolio.

- Creation of an entire product range for the whole spectrum, in accordance with the Company's needs.
- Building a common tool for managing the three major product categories streetlight, floodlight, and canopy.
- Creation of a universal Supply, Processing and Distribution management in order to decrease the number of SKUs.
- Implementation of engineering to order strategy (ETO) to develop & deliver tailored products.

The year under consideration saw the Company win various projects and introduce new products. Details of the same are provided below:

	Major projects undertaken	New products introduced
Indoor commercial lighting and IBMS	Microsoft, Hyderabad Max Hospitals – Pan India Google, Gurgaon Flipkart, Lucknow Jaslok Hospital, Mumbai	Levitaire Glint Radiance Skylux Gladen
Industrial lighting	Essar Steel, Gujarat Thyssenkrupp Industries, Delhi ITC, Gujarat Ceat Tyre, Chennai Apollo Tyre, Chennai TATA Projects, Hyderabad	Blaze Pro Lucid Nuke
Outdoor lighting (street lighting, area lighting, HM and poles)	Chittorgarh - Gulabpura road project Itanagar Smart City DRDA, Tamilnadu Delhi Airport – T3 approach road and under pass PWD, Delhi Flag Mast EIL – HRRL, Barmer	Hexa Zela Edge Amaze Gleam Praze Supremo street light
Metro lighting	DMRC – Chennai, Pune, Nagpur, Kanpur and Mumbai	
Stadium lighting	DDA, Delhi Reliance, Jamnagar IDCO, Bhubaneshwar and Rourkela sports stadium project Dharnidhar Sports Complex, Bhubaneshwar Kadapa Cricket Stadium, Andhra Pradesh NTPC Ramagundam, Andhra Pradesh	1500 W special product launched for major stadium projects
Architectural lighting	Sidhawan Cannal, Ludhiana National Gallery of Modern Art, Delhi Secretariat Building, Patna RK Laxman Gallery, Pune Old Municipal Corporation and Town Hall, Vishakhapatnam	'Made in India' range launched

Outlook

With increasing opportunity in the illumination space, the Company is gearing up to capitalise on it and expand its operations. The Gati Shakti project, aimed at driving infrastructure developments, is anticipated to create huge business opportunity in segments such as metros, warehousing, data centre and airports. The Company has developed special products for these segments and had early wins as well. Additionally, increasing demand for connected indoor lighting and outdoor smart lighting and huge investment expected in sports lighting projects such as greenfield projects and 'LEDfication' of old stadiums, provides promising opportunities for expansion.

16%
YoY growth in revenue from illumination

374
SKUs launched

Power transmission

In India, Bajaj Electricals provides one of the finest power transmission systems via its transmission line towers, monopoles, and EHV substations. An enhanced operational efficiency, with a direct impact on fixed and finance costs and augmented competitiveness, is required since the Company is asset-light. Maintaining a healthy bottom line and generous cash flows remain the primary focus. In FY 2021-22, the business commissioned projects that included substations, transmission lines and monopole-based transmission lines. In India, the Company primarily operates in Uttar Pradesh, Punjab, Rajasthan, Gujarat, Madhya Pradesh, Karnataka, Tamil Nadu, Maharashtra and Bihar and has expanded footprint in Sikkim, Haryana. In the international arena, it has displayed its potential by completing the first project in Zambia and is in the process of spreading its reach into SAARC, sub–Saharan Africa, and West Africa.

The major projects executed in FY 2021-22 include the following:

- Commissioning of 1312 CKM of EHV transmission lines during the FY 2021-22 for various clients.
- Created a benchmark in the industry by commissioning the 765V Ajmer Phagi transmission line worth ₹ 350+ crore within 18 months of receiving the contract, a full 2 months before schedule.
- Commissioning of hybrid gas insulated bays for Power Grid Corporation of India (PGCIL) at Bhadla, Rajasthan.
- Attained **end-to-end self-reliance in monopole** through design, validation execution and commissioning of some of the unique tailor-made designs which boast of assorted diameters of 2.5 meters and 3.5 meters and 72.8 meters tall **monopoles for Mumbai Metropolitan Region Development Authority (MMRDA)**.
- Designed, manufactured and supplied twin tubular 400kV D/C Quad Moose monopole for the first time to Sinnar Power Transmission Company Limited (SPTCL).
- Commissioning of 400 kV bay extension at Seoni, Madhya Pradesh, for PGCIL, which paves the path for the niche 400kV substation segment.

Outlook

The Company is striving to diversify and thus looking to venture into new fields associated with the current power business. This is expected to result in significant growth in revenue. It plans to expand in various domestic regions such as Sikkim, Ladakh and other parts of North East India as well as in overseas regions such as SAARC, Sub-Saharan Africa and West Africa. It has also planned bidding extensively in some upcoming segments such as solar parks, Ladakh evacuation and NE hydel evacuation, to name a few.

₹ 964 crore
Order book value as on 31st March, 2022

Power distribution

During the year, the Company was able to complete all of its outstanding projects. Currently, the Company has one old project in the operating category, and the remaining projects are in the defect liability phase (DLP). Through the segment, the Company commissioned a total of six projects from the states of Bihar and West Bengal. The key operational sites include UP, Bihar, Karnataka, and West Bengal. Since the focus remained on closing the projects, the Company did not participate in tenders. However, Bajaj Electricals is planning to start quoting for tenders. The Company is focusing on the areas of Revamping Distribution Sector Scheme (RDSS), Solar, UG cabling and Monopoles. These projects will be individual profit centres, and the team will focus on closing the projects on time (both operationally and financially).

In order to achieve operational excellence in this sector, BEL has decided to implement action plans with immediate effect. Over the last two years teams, processes and systems have been revamped to bring in project management excellence, working capital discipline and focus on deliverables. This will prove valuable for future projects undertaken. The Company will be focusing on having strong regional headquarters. The TOC/Quality team will be part of the project monitoring group, and the stores will be significantly smaller, holding no more than three months of inventory and with strong adherence to integrated project management requirements.

Outlook

Going forward, the Company is likely to bid strategically in certain upcoming segments, such as the Revamping Distribution Sector Scheme (RDSS), Solar, UG cabling and Monopoles in key geographical locations such as Madhya Pradesh, Uttar Pradesh, Bihar and Odisha. It also planning to expand its footprint in the international market through ICB [full form needed] and EPCF (Engineering, Procurement, Construction and Financing) route with strong emphasis on the African Continent.

Human resources

Bajaj Electricals has prioritised human capital development and reinforcement of expertise across critical functions . The Company believes that a competent, motivated team and a nurturing work culture are critical for achieving long-term success. In FY 2021-22, notwithstanding the pandemic-led interruptions, the Company continued to have an 'employee first' strategy while synchronising HR processes to support the business. It provided supplementary COVID-19 insurance coverage and created engagement through virtual programmes as well as health and wellness seminars.

As a part of its strategy to build a contemporary organisation, the Company undertook organisational restructuring and delayering to create a flatter organisation. The endeavour is to make the organisation more agile and provide strong emphasis on building a role-based organisation over designation-based organisation. The Company moved towards building an open work environment which is transparent, diverse and inclusive. It also focused on ensuring diversity through structured hiring, retention and development initiatives for women employees. The Company has developed a Diversity and Inclusion Council, Women Leadership Talks, and Career Accelerator Workshops for women.

To ensure a strong talent pipeline availability for all critical positions in the organisation, the Company has introduced Succession planning. The process includes multiple discussions with cross-functional key stakeholders to identify a ready successor for various positions. As of now, the Company is tracking the development of potential successors.

Given the changing industry dynamics, the Company continues to invest in upskilling its new as well as existing employees. During the year under review, it undertook various learning initiatives such as managerial effectiveness, leadership development, POSH and functional training on a need basis. The Company has created a number of projects, such as Anugam, Sukarak, and Pygmalion to help its employees and workers improve their skills and contribute to their personal development. It also introduced e-learning platforms such as Percipio, SKILLDOM and Actuate as a part of its digital transformation journey. The Company has designed four compliance e-modules and has developed a library of over 100 e-modules for all employees to upskill themselves.

The Company strives to ensure the health and well-being of its employees through an array of initiatives. It took care of not only the physical well-being of the employees but also their mental well-being. Bajaj Electricals had also tied up with Health Spring for online consultation for employees and dependent family members. Additionally, safety of workers was ensured through mandatory safety trainings and introduction of One EHS app. The app helped Bajaj to achieve real time tracking of any incidents or fatalities at the workplace. It also conducted various initiatives such as anti-tobacco campaign, behavioural safety, in-house inspections and colour coding, heat stroke trainings, yoga sessions, and sessions on mental health, amongst others.

During the year under review, Bajaj Electricals was recognised as a 'Great Place to Work' for the second time in a row. This stands as a testimony to its zeal to be an employee-centric organisation and provide immense opportunity for employees to grow and flourish in their professional and personal life.

385
New talent on board in FY 2021-22

2,661
Total employees (including workers) as on 31st March, 2022

80%
Of the employees covered through various L&D initiatives

Quality review

The Company has always prioritised the quality of its products. To improve the quality further, the Company has undertaken various initiatives such as early days product failure analysis and reliability enhancement and life testing of products. It has also implemented various product and process improvement initiatives under the Lakshya project.

To reduce the rejection rate, BEL has taken several initiatives to address field failures, such as regular analysis of field failures, root cause analysis, monitoring of corrective actions and initiation of quality improvement projects. Moreover, the cross-functional team has set a target of zero failures and is likely to boost reliability with product design modification and regular review of quality performance with stakeholders.

This has resulted in a reduction of manufacturing cost and field failure, which in turn has resulted in a better consumer experience, enhanced brand perception and a competitive edge. Through these initiatives, BEL has approximately reduced field failure by 15% YoY and thus declined market complaints by more than 70%, which has become a benchmark for the industry.

The Company has further reduced manufacturing costs with projects such as the Mulya project and VA/VE project. In-house manufacturing of advanced technology products, capacity and capability enhancement of supply chain, process automation, and focus on single piece flow also strengthen BEL's quality standards.

BEL also undertakes digitalised quality processes, such as quality management system, e-documentation, warranty management to reduce manual interventions and the introduction of tutorial videos for installation and problem solving of products for customer awareness.

The Company is now demonstrating agility while responding to breakdowns and has been transformed from product-oriented to process-oriented, defect detection to prevention and reactive to proactive. This can be attributed to the steady focus on periodic audits, quality process verification, statistical process control, critical process validation and revalidation, unidirectional process flow, line balancing in manufacturing and standardisation of manufacturing processes.

Integrated supply chain management

Supply chain management is a crucial part of the organisation and plays an essential role in collaborating with all internal and external stakeholders to manage supply – starting from planning, manufacturing, and delivering value to the end consumer. The Company depends significantly on the contract manufacturing model, while having a few own manufacturing units, and a robust supply chain is essential for providing finished goods at the right time, at the right place with the right quality and at the right cost.

In the year under review, the Company has taken up multiple initiatives aimed at improving supply chain efficiency. One of the key projects – We Care programme aimed at enriching relationships with suppliers – helped supply partners in key manufacturing decisions, and provided several aids during the pandemic to build a seamless ecosystem. This helped the organisation to tackle the sharp increase in demand post-COVID-19 through capacity addition by around 30% in all categories and lead time reduction at all levels.

In its own manufacturing facilities, the Company initiated its transformational journey to deliver the best quality products at the most competitive prices. It has also adopted the TPM methodology to improve the efficiency of the entire production system. This has been initiated at the Chakan plant and is being rolled out across all other plants. In addition to this, Next-gen ERP Platform – SAP S4 HANA has been implemented in all the factories. In continuation to the Company's endeavour of promoting sustainability, the Nirlep and Chakan plants have been converted into Zero Waste to Land Fill (ZWTL) certified plants with a diversion rate of more than 99%, as verified by Intertek – a worldwide recognised quality assurance, product testing, and certification organisation.

For the year under consideration, cost reduction has been a major drive; the initiative 'Mulya', helped the Company generate more than 1,000 ideas from supply partners and employees through a digital idea pooling drive. With due scrutiny and nurturing, ideas worth ₹100 crore potential has been generated, and value creation has been observed in the year under review. The Company also launched a 'Hello Local' campaign and substituted 50% of the total import purchase.

As part of the project 'Commodity Management', the Company has closely monitored commodity price movements and devised a strategy for realising competitive pricing through a monthly/quarterly averaging approach, future hedging, competition benchmarking, and continuous evaluation of alternate sourcing avenues.

80%
Certified for consumer products, illumination, transmission and distribution and R&D

Winner
of 'Best initiatives for Product Quality' award at ESG INDIA Leadership Awards 2021

1st runner up
In manufacturing category in MQH Best Practice Competition 2021 (organised by IMC Ramkrishna Bajaj National Quality Award Trust)

Amid trying circumstances, the integrated supply chain function has held through and anchored the organisations' growth. The Company established more than 60 cross-functional teams (CFT) to handle essential challenges such as productivity, quality, cost optimisation, inventory management, efficiency improvement, and capacity utilisation. It was able to navigate these difficult times through its collaboration across departments, effective communication, prioritisation of customer needs, and implementation of good governance.

Information technology

At Bajaj Electricals, the role of information technology has always been critical for executing complex and diversified business operations. As part of the NYSA initiative, the Company has decided to transform the IT landscape by adopting the SAP S/4 HANA platform, a future-ready enterprise resource planning (ERP) system powered by the cloud, machine learning and advanced analytics. The extensive development work for this new platform was carried out through FY 2021-22 and the first phase has gone live in early FY 2022-23. Once fully implemented, it will provide comprehensive support for end-to-end business processes within the organisation as well as with partners. The Company also plans to adopt other SAP modules such as SAP Project systems, SAP SD, SAP Integrated Business Planning and SAP GRC to further strengthen its business operations.

In order to improve productivity and efficiency and to optimise operational cost, Bajaj Electricals strives to build a smart factory by adopting technologies such as IoT, big data, and cloud computing together with Artificial intelligence, adapted to the needs of Industry 4.0.

The Company believes communication and cooperation are critical for inspiring, encouraging, and empowering new ideas. Technology opens up communication channels, making it faster, easier and more effective for people to connect. As a result, it is establishing an innovation platform to allow workers, channel partners, customers, and other stakeholders to contribute ideas and views about new product creation and process improvement.

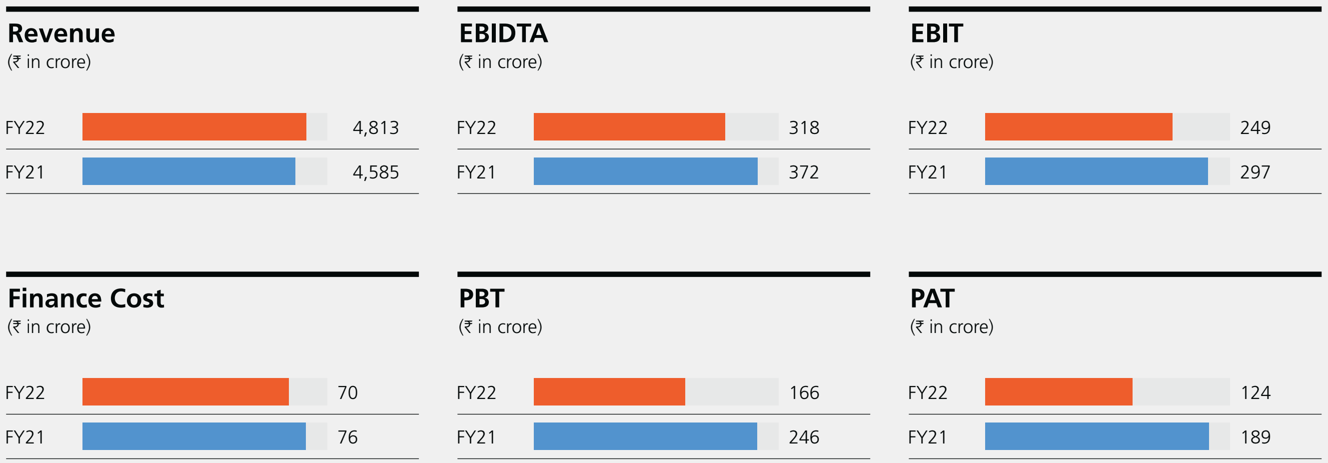
Alongside of implementing disruptive technologies, the Company has also been vigilant towards data privacy and security as there lies a risk of cyber-attacks and hacks. The Company's IT support team undertakes daily monitoring process and reporting to ensure that an IT System is functioning properly. Additionally, all the data that sends from the factory to cloud is encrypted. It also runs regular VAPT and security tests to ensure minimum exposure to cyber-attacks.

35
Employees in the IT team

11
Average experience of IT team

Financial Analysis

(on consolidated financials)



Particulars	FY 2021-22	FY 2020-21	YoY Change	Reasons for change, where change is significant
EBIDTA Margin	6.62%	8.12%	-18.53%	Fall in the EBITDA margins are mainly due to increase in commodity prices which has increased the input cost and which the Company has not yet passed to the end consumers.
EBIT Margin	5.18%	6.48%	-20.12%	Same As above
PBT Margin	3.45%	5.37%	-35.68%	Impact of commodity inputs costs and very limited incremental EPC business has resulted in overall reduction in PBT Margin
PAT Margin	2.58%	4.12%	-37.29%	The Group has paid out VRS of ₹ 13.23 crore, for its employees at Shikohabad factory, which has resulted in lower PAT for the year. Further, for the year ended FY21, the Company had an exceptional gain of ₹ 25.49 crore, which had increased the PAT in last year
Debtors Turnover	2.94	2.06	42.65%	The increase in Debtors turnover Ratio is due to collection of receivables in Power Distribution Business in EPC Division with very less incremental order book
Inventory Turnover	3.45	3.84	-10.19%	Inventory turnover ratio has decreased from 3.9 times to 3.5 times mainly on account of increase in average inventory.
Interest Coverage Ratio	3.57	3.89	-8.09%	The ratio has marginally reduced due reduction in EBIT. Interest post acquisition of Starlite Lighting Debt has almost remained the same for the year
Current Ratio	1.21	1.17	3.57%	There is a marginal improvement in the current ratio largely due to reduction in short term debt levels.
Debt Equity Ratio	0.03	0.30	-91.17%	The Group has adopted a risk calibrated approach towards EPC Business, which has resulted in pullback of capital and receivables in EPC Business. Further, the Group has carried out vendor financing for the creditors in the CP Business, which has resulted in a positive cash flow from operations, which has been used to repay debt.
Return on networth	7.58%	12.91%	-41.32%	Unable to pass-on the rising input costs, VRS of ₹ 13.23 crore for its employees at Shikohabad factory has resulted in lower PAT for the year, which has resulted in lower RoE

Risk Management

A Risk Management Policy for the Company has been adopted and approved by the Board of Directors. The Company has a Comprehensive Risk Management framework in place to identify, evaluate and mitigate business risks to protect interests of its stakeholders. The Company's Risk Management framework focus on ensuring that risks are identified and reasonably addressed on a timely basis and Risk Management process adapt to the changing business requirement. Risk Management Committee is updated on emerging risks and corrective actions every 6 months.

The key business risks identified by the Company and their mitigation plans are as under:

1. Pandemic

The Pandemic situation has resulted in travel restrictions, lockdowns and need for social distancing. This has resulted in negative sentiments and operational challenges of supply disruption, labour availability and demand fluctuations.

Proactive actions in initiating Work from Home (WFH), Hybrid work arrangements, managing supply challenges by seeding plan-based supply forecasting have fetched positive outcomes and sentiments in demand fulfilments. Preemptive actions in boosting production and ensuring timely distribution to Pan India warehouses have resulted in reducing impact of supply disruptions in secondary and Tertiary sales.

2. Business Growth

EPC order book forecast for project execution in FY 2022-23 has to be improved which has been adversely impacted by low flow of tenders in FY 2021-22 due to current Pandemic situation across states. In Power Distribution, focus has been on financial closure of ongoing projects which has positively improved cash flow and recovery. The Organisation will be focusing on high contributing projects of Railways, Monopoles and Substations to strive growth and profitability. Fluctuation in commodity prices and inflationary trend in cost of other material has resulted in adverse impact on demand and profit margin.

Pandemic has created volatility on demand and supply side which is closely monitored and necessary action has been implemented to reduced impact on People, Liquidity and Viability.

3. Working Capital Management

Change in scope by clients of EPC projects and ROW issues not resolved by client have resulted in non-utilisation of material purchased for that particular project and delays in execution. This is further impacted by cash constraints at client due to current Pandemic, adversely affecting receivables from clients. Contractor management has also become vital with non-availability of labour and non-deployment of material within agreed timelines. Adequate coordination is being made with client to identify additional work at respective projects to ensure utilisation of inventory procured at respective sites. Further, requirement at other project sites of client is assessed to move slow moving inventory to respective project sites. In addition, coordination for recovery of receivables with client by ensuring timely handover of sites and closure of project sites is performed.

Financial support is provided for working capital management of subsidiary /associate companies that are impacted by fluctuation/change in demand and supply side constraints on availability of material and manpower which is affecting the capacity utilisation of factories.

4. Hiring and retention risk

The Company has been continuously working on retaining the best talent in the industry, but it is a constant challenge to retain the good talent. The Company's human resource agenda focuses mainly on building a robust and diverse talent pipeline by hiring fresh management graduates to cater to various businesses and functions, enhancing individual and organisational capabilities for future readiness, driving greater employee engagement and strengthening employee relations. The Company has also taken several employee initiatives like great place to work survey, employee satisfaction survey, town halls across locations, benchmarking compensation structure with the industry, stock options, innovative management training programs, job rotations, spot/ quarterly /half yearly/ annual recognitions, development programs to retain and grow talent.

5. Occupational health and safety risk

Safety of employees and workers has always been of utmost importance to the Company. Occupational Health & Safety has been identified as one of its focus areas to reinforce the safety culture across the Company. Various training programmes have been conducted at the plants and project sites such as behavior-based safety training program, safety leadership program, logistics safety program and safety protocols for employees and workers. Safety Committee has deployed Safety Portal to oversee and monitor safety initiatives and adherence across the organisation.

Internal control

Commensurate with the size, scale and complexity of its operations, the Company has well-defined and adequate internal controls. Throughout the year, the internal controls were noted to be operating effectively. To test the robustness of these controls and to cover all business units, offices, factories and key areas of business, the Company had appointed an external consultant as an Internal Auditor. External consultant (Internal Auditor) and the statutory auditor evaluate the design, adequacy and operating effectiveness of the Internal Financial Controls of the Company. The controls are designed in such a manner that they are broadly in accordance with the criteria established under the Companies Act, 2013 and Guidance Note issued by the Institute of Chartered Accountants of India.

The Company has documented Standard Operating Procedures (SOP) and risk registers, encompassing process flow, key risks and key controls for all business units and functions. SOP and risk registers in turn are evaluated and appropriate amendments are made by the business, depending on the changes in process of workflow and controls. The external consultant (Internal Auditor) on review of the internal financial controls did not identify any significant control weaknesses. All the non-significant control weaknesses identified have been discussed with the respective process owner. Remediation actions have been taken or agreed upon, to eliminate the weaknesses in a time bound manner. Adequate manual controls have been deployed where control weaknesses were identified due to system limitations in IT applications.

The external consultant (Internal Auditor) conducts internal audits for the areas that are agreed with the Management and Audit Committee. The Audit Committee finalises the scope of internal audit. The audits executed by the external consultant (Internal Auditor) are monitored by the Internal Audit function. It is ensured that internal audit and IFC reviews are conducted objectively. Also, it is ensured that reviews evaluate the efficacy and adequacy of internal control system in the Company, its compliance with operating systems and procedures, accounting procedures and policies of the Company. The internal audit function reports to the Chairman and Managing Director of the Company and the Chairman of the Audit Committee of the Board to maintain its objectivity and independence.

The process owners undertake corrective action in their respective areas within agreed timelines for significant risks identified in the reports issued by Internal Auditors. This helps to improvise and strengthen the controls. On a quarterly basis, significant audit observations and corrective actions are presented to the Audit Committee of the Board.

Disclaimer

Certain statements in the MDA section concerning future prospects may be forward-looking statements which involve a number of underlying identified / non identified risks and uncertainties that could cause actual results to differ materially. In addition to the foregoing changes in the macro-environment, a global pandemic like COVID-19may pose an unforeseen, unprecedented, unascertainable and constantly evolving risk(s), inter-alia, to the Company and the environment in which it operates. The results of these assumptions made, relying on available internal and external information, are the basis for determining certain facts and figures stated in the report. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based are also subject to change accordingly. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.