

Management Discussion and Analysis

Global Economy Overview

The year 2019 was a challenging year for the global economy. The ongoing trade war between the US and China, geopolitical tension between the US and Iran leading to rise in crude oil prices and Brexit affected the GDP growth rate. The GDP is estimated to be 2.9% in 2019, down from 3.6% in 2018¹. This downturn of the global economy was also due to slowdown in the manufacturing sector across the globe, with diminishing demands and lower consumption.

The year 2020 is expected to be yet another challenging year mainly due to

the recent outbreak of corona virus. The virus have brought the global economy to a standstill with major disruptions in manufacturing and supply. As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008 financial crisis. In a baseline scenario (which assumes that the pandemic fades in the second half of 2020) the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes, helped by policy support².

lower demand & consumption of goods and services across the country.

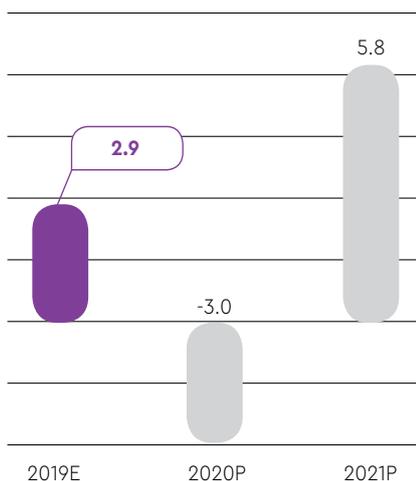
Looking at the situation, the Government of India (GoI) had introduced various reforms such as corporate tax cuts, re-engineering of banking sector, investment plans in infrastructure sector and incentives for SMEs & automobile sector to lift the economy. With constant efforts to improve the economy, India now ranks 63rd in World Bank's Ease of Doing Business Report 2020, a significant improvement from previous years.

Indian Economy Overview

The Indian economy grew by 4.2% in FY19-20 compared to 6.1% in FY18-19, weakest since the financial crisis hit more than a decade back.³ The decline in the GDP growth rate was due to the slowdown across all sectors of the economy, especially manufacturing. This slowdown also led to lower spending by consumers resulting in

The growth outlook for India is weak due to the coronavirus outbreak and the subsequent lockdown that created significant hurdles for manufacturing, supply and distribution channels. According to S&P Global Ratings, India's GDP is expected to shrink by 5% in FY20-21 owing to the current situation. However, GDP growth is expected to pick up to 8.5% in the following fiscal i.e. FY21-22.

Global GDP Growth Rate (in %)



Source: World Economic Outlook Report, IMF, April 2020



¹IMF WEO

²OECD- World Economic Outlook Report

³Asian Development Outlook

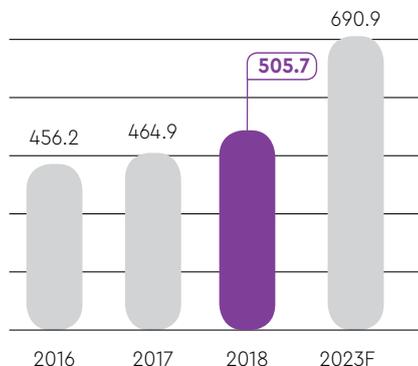
Industry Overview

Construction Industry

Construction is the second largest economic activity in India after agriculture and has been growing rapidly. The construction sector also includes housing which is estimated to account for 8.03% of GDP for the FY19-20 and the sector employs about 12% of the workforce⁴. A huge employment opportunity exists for India's youth in construction, operation and maintenance of infrastructure. As a result, the National Skill Development Agency is also maintaining its thrust on infrastructure-focused skill development opportunities.

India's construction industry was valued at US\$ 505.7 Billion in 2018 and it is expected to grow at a CAGR of 6.44% from 2019-2023, to reach US\$ 690.9 Billion by 2023⁵. The growth will be driven by the government's efforts to improve the country's infrastructure as well as the housing sector, with an emphasis on smart cities. The country's rising urban population will also boost residential construction, which is expected to remain the largest market, accounting for 30.1% of the total industry value by 2023⁵.

India's Construction Output (US\$ Billion)



Source: Global Data, Construction Intelligence Center

Real Estate

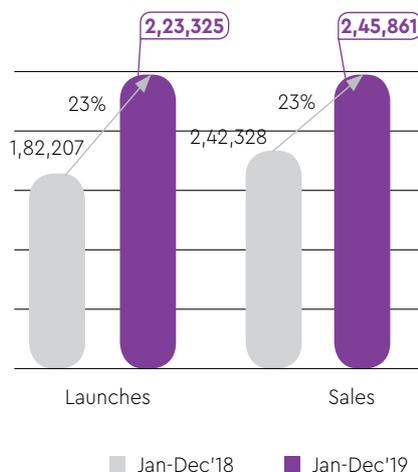
The Real Estate sector occupies a prominent position in the economy and is connected with multiple industries. It has gone through transformational changes due to the implementation of Goods and Services Tax (GST), Real Estate Regulation and Development Act (RERA). Builders and developers are also being encouraged to undertake affordable housing projects. Reduction in GST rates to 1% for affordable housing and 5% for others is likely to have a positive impact on home buyers.

The current estimated market size of the industry is ₹ 12,000 Crores for 2019 and it will further grow to reach ₹ 65,000 Crores by 2040⁶. Currently, the industry employs 55 Million people and it is expected to reach 66 Million in the near future. The Real estate sector contributes around 7% to India's GDP in FY19 and it is expected to contribute 13% of the country's GDP by 2025⁶.



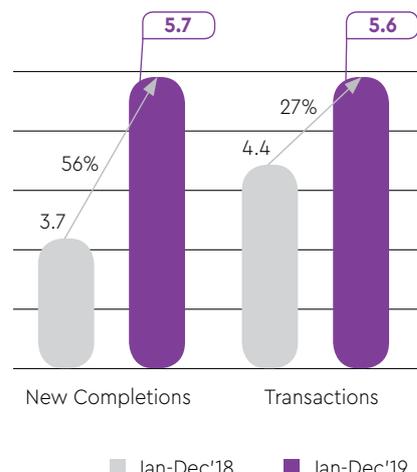
Indian residential units witnessed a growth of 23% Y-o-Y in 2019, owing to government initiatives for affordable housing and smart cities⁷. A shift from traditional workspaces to co-working spaces led to a 56% Y-o-Y growth of new office units in 2019 and the trend was mainly led by start-ups in India.

Indian Residential Market (Housing Units)



Source: Knight Frank Research Report

Indian Office Market (mn. sq. ft.)



⁴Economic Survey FY19-20

⁵Global Data, Construction Intelligence Center

⁶NITI Aayog

⁷CREDAI-CBRE Report

Growth Drivers of Real Estate Industry

Below are some of the key factors driving the growth of the Real Estate Industry: –

- Affordable Housing and Housing for All:** With growing population, the demand for housing is rising steadily and it is expected to rise further. Earlier, the focus was largely on luxury and mid segment housing, but it is now shifting towards affordable housing. Government Initiatives like Pradhan Mantri Awas Yojana (PMAY) intends to provide affordable housing for all. The government estimated the housing demand at 1.12 Crores units for urban areas. At present, 1.05 Crores units have been sanctioned, 65 Lakhs units are being constructed and 34 Lakhs units have been completed and delivered till June-20.
- RERA:** Due to the implementation of RERA, the industry has become organised and has simultaneously boosted investor confidence. It has also made the process transparent, ensuring accountability and peace of mind for potential home buyers.
- Urbanization:** Growing urbanization is reshaping infrastructure development in the country. A rising middle class population will fuel the demand for residential housing in urban areas. Currently India's urban population is 460 Million in CY19 and it is expected to reach 543 Million by 2025⁸. With rapid urbanization, nuclear families are increasing, leading to a growing demand for houses.



- Government Policies and Initiatives:** The government has initiated several measures to improve the prospects of the Real-Estate sector. The Real Estate Regulatory Authority (RERA) Act, impetus for affordable housing construction, reduction of GST rates, Interest subsidy and tax saving schemes for home buyers are some of the initiatives undertaken by the government during the last couple of years.
- Commercial Real Estate:** The Commercial Real estate Industry saw a steady growth in 2019. Sectors such as IT and ITeS, retail, consulting and e-commerce have registered high demand for office spaces. As the supply increases steadily, so does the absorption rates, driven by co-working spaces and foreign investment in India. In 2019, 5.7 Million square meter (61.3

Million square feet) office projects were completed and 5.6 Million square meter (60.6 Million square feet) space was sold. IT Parks and SEZs are being developed in Tier II and Tier III cities to accommodate the demand for low cost office spaces. Co-working spaces are also increasing at a rapid pace, accounting for around 13% of the total office space transactions in 2019, up from 5% in 2017⁹.

- Consolidation of the Industry:** The Indian construction market is highly competitive. With the Implementation of GST and RERA, smaller players in the industry are finding it difficult to survive in the market. The Indian construction market presents opportunities for growth in the coming years, which is expected to further drive market competition.

⁸United Nations World Urbanization Prospects

⁹Knight Frank Research Report

Infrastructure Industry

Infrastructure is an enabler for economic growth and to reach India's target of becoming a US\$ 5 Trillion economy by 2025, more supply-side reforms are needed. Improvement and upgradation of India's new and existing infrastructure projects is likely to make the country's economy stronger. It will specially be critical for the success of the Make in India programme as manufacturing competitiveness critically depends on infrastructure.

Infrastructure investment in India between fiscals 2008 and 2017 was estimated at approx ₹ 60 Lakhs Crores (US\$ 1.1 Trillion at average exchange rates of respective years). As per estimates, India's infrastructure investment for

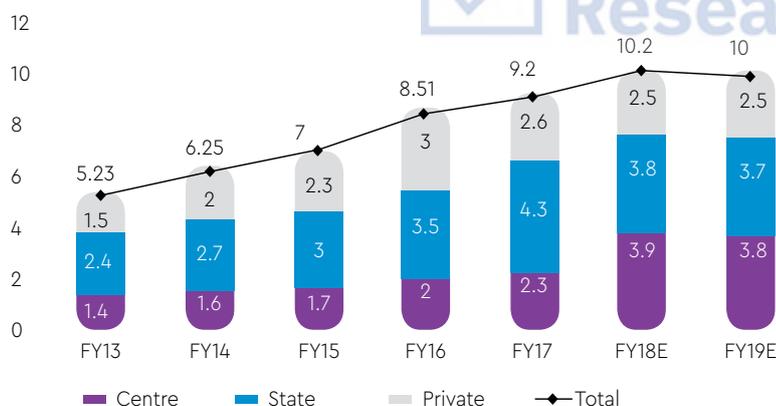
fiscals 2018 and 2019 are ₹ 10.2 Lakhs Crores and ₹ 10 Lakhs Crores respectively. During the above period, infrastructure investment was predominantly made by the public sector (i.e. Central and State Governments contributing about 70% of the share), while the share of private sector was ~30% (its share in the last two years was ~25%). Power, roads and bridges, urban, digital infrastructure and railways and other sub-sectors together constituted ~85% of the total infrastructure investment in India between fiscals 2013 and 2019. It is estimated that India would need to spend US\$ 4.51 Trillion on infrastructure by 2030 to realise the vision of a US\$ 5 Trillion economy by 2025 and to continue its growth till 2030.

Union Budget 2020-21 highlights:

The government is expected to invest heavily in the infrastructure sector, mainly in highways, renewable energy, pipelines and transport. The same has been reflected in the Union Budget 2020-21, with approx. ₹ 102 Lakhs Crores allocated for investment in the sector, over a 5 year period. Mentioned below are some of the initiatives discussed in the Budget:

- **Tax Exemptions for sovereign wealth funds:** Sovereign wealth funds of foreign governments were granted 100% tax exemptions with respect to interest, dividend and capital gains income from investments made in infrastructure and other notified sectors before 31st March, 2024. However, a minimum lock-in period of 3 years was required to avail the exemptions.

India's infrastructure investment trend since fiscal 2013 (₹ Lakhs Crores)



Source: Appraisal documents for five-year plans, CRIS estimates (Investments mentioned are at current prices)



- **Power, Oil and Gas:** The budget allocation for the power and renewable sector is ₹ 220 Billion. The Government also proposed the setting up of solar powered hand pumps and grid connected solar plants for farmers. The energy generated from these solar panels will be sold to the government to boost farmers' income significantly. For the Oil & Gas sector, the Finance Minister proposed to expand the existing natural gas grid from 16,200 km to 27,000 km. Capital outlay of ₹ 98,522 Crores has been proposed for oil and gas companies for 2020-21.

- **Roads:** The budget also announced proposals for accelerated highway development, including the development of 2,500 km access control highways, 9,000 km of

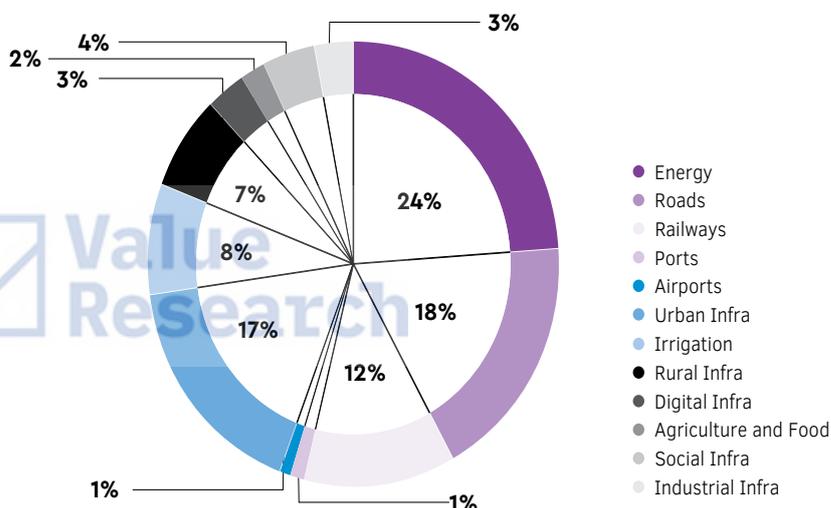
economic corridors, 2,000 km of coastal & land port roads and 2,000 km of strategic highways. The recently introduced FASTag mechanism also encourages greater commercialization of highways, enabling the NHAI to raise more funds. A proposal to monetize at least 12 lots of highway bundles of over 6,000 km were made before 2024 through Hybrid Annuity Model.

- Railways:** As per the theme of "Aspirational India", the Finance Minister proposed to set-up "Kisan Rail" through PPP arrangements to establish seamless national cold supply chains for perishables like milk, meat and fish. The government also proposed to revamp 4 major stations and 150 passenger trains through PPP.
- Airports:** Noting the rapid growth of air traffic in the country, the Budget announced a proposal to develop 100 more airports by 2024, to support the Regional Connectivity Scheme - UDAN. By 2024, the government proposed to double the air fleet number from the existing 600.
- Ports and Waterways:** Sea-ports in India need to be efficient and technologically advanced to improve performance. Therefore, the government is planning to corporatize at least one major port and subsequently list it on the stock exchange. Inland Waterways received a boost in the last 5 years and the Jal Vikas Marg on National Waterway-1 will be completed by 2020. Further, the 890 Km Dhubri-Sadiya connectivity will be completed by 2022.

National Infrastructure Pipeline (NIP)

The Final Report of NIP Task Force projected a total infrastructure investment of ₹ 111 Lakhs Crores during the period FY2020–25. Out of the total expected capital expenditure of ₹ 111 Lakhs Crores, projects worth ₹ 44 Lakhs Crores (40% of NIP) are being implemented, projects worth ₹ 33 Lakhs Crores (30%) remains at the conceptualization stage and projects worth ₹ 22 Lakhs Crores (20%) are being developed. Around 71% of the projected infrastructure investments in India are utilized for sectors such as energy (24%), roads (18%), urban development (17%) and railways (12%). The Centre (39%) and States (40%) are expected to have almost equal share in implementing the NIP in India, followed by the private sector (21%).

Sectoral Allocation and Financing of NIP



Source: NIP Report of Task Force

Urban Infrastructure

The world is increasingly becoming urban and India is playing a big role in the global demographic shift. India is one of the fastest growing countries in the world, witnessing rapid urbanization. There were about 37.7 Crores Indians residing in urban areas (Census 2011), comprising about 34% of the total population and it is expected to grow by 41.6 Crores in CY 2050¹¹.

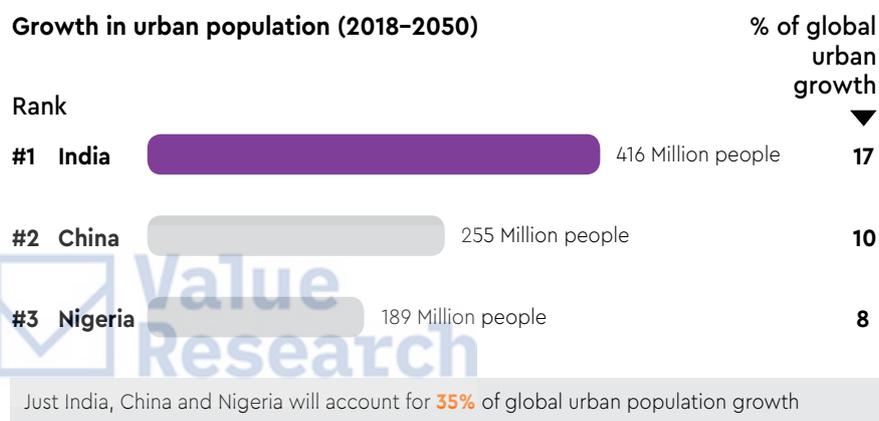
According to a survey conducted by GIAA-IPSOS Global Infrastructure Index 2019, 57% of urban Indians have rated India well on urban infrastructure. With good connectivity of railways, roads, airports and high speed internet connection on rail platforms in metro cities, urban infrastructure have made life easier for people. The report also proposed to invest heavily in Electric Vehicle charging stations, water supply & sewerage systems. It is also looking at ways to tackle floods in India.

¹¹UN, Atlas of Urban Expansion

With the launch of the smart cities mission, the government is expected to step up its urbanization efforts in 5,000 cities across India. The following 4 point plan will help to implement urban infrastructure facilities:

- Infrastructure and Connectivity:** Proper infrastructure including roads and airports, railways and metros must be planned well in advance. Similarly, provision for high speed internet connectivity is necessary before the construction phase. Appropriate state-of-the-art infrastructure will boost the logistics sector, aiding and improving the development of cities.
- Labour-intensive industry (LII) clusters:** With the help of skill development, LIIs will create employment opportunities in urban as well as rural areas. By focusing on important sectors within a region, varied professional opportunities can be created.

- New sustainable technologies:** The newly built infrastructure should focus on sustainable development. By embedding state-of-the-art technologies like solar panels, wind turbines, electric charging stations and water treatment facilities, smart cities can be developed for the future. Older cities will need careful planning to incorporate new technologies into unwieldy city plans.
- Planning for Capacity:** New smart cities will be planned with an eye on the next 20 to 30 years. It will not only implement an efficient urban infrastructure, but will also make the cities free from congestion. Sustainable urbanisation will propel India to mobilize its true potential.



Source: UN, Atlas of Urban Expansion

Progress of Existing Schemes

- Metro Rail & Bullet Trains:** As of 2019, India has 671.52 km of operational metro lines and 540 stations. Another 500+ km of lines are under construction across the country¹². In India, Bullet trains are expected to start by 2022 & the first train will be connecting the Mumbai-Ahmedabad corridor with an investment of approx. ₹ 98,000 Crores. Due to this, two stations in Gujarat will be completely revamped as per global standards¹³.
- Smart Cities Mission 2.0:** Under the Ministry of Housing and Urban affairs, the government previously

proposed to build 100 smart cities. With the launch of Smart Cities Mission 2.0, the coverage area has been enlarged to 4,000

cities. The mission is expected to ensure housing for all, build better infrastructure and develop open spaces among other things.

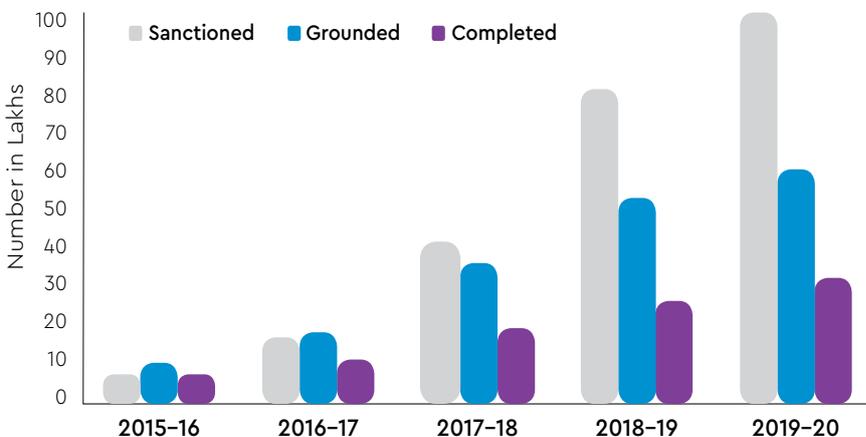


¹²WRI India Sustainable cities

¹³NHSRCL (National High Speed Rail Corporation Limited)

- Pradhan Mantri Awas Yojana (Urban) – Housing for all:** PMAY-U is one of the largest housing schemes in the world, bringing entire urban India under its ambit. It is rapidly moving towards the vision of delivering a house for every family by 2022. The scheme has also created approx. 1.20 Crores jobs across all sectors, till Dec-19, giving a boost to employment in India.

Physical progress of PMAY (U) (Number of Houses in Lakhs)

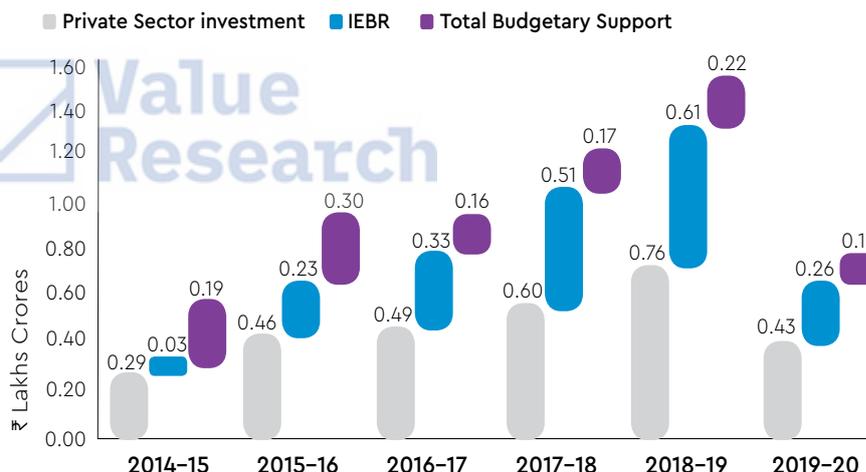


Data as on 01.01.2020
Source: Ministry of Housing and Urban Affairs

Roads & Highways

India has the second largest road network in the world. The Ministry of Road Transport and Highways (MoRTH) is planning to develop around 60,000 km of roads in the next five years (2020–2025), at an average road construction rate of 40 km a day. Roads and highway constructions were initially undertaken under the Public Private Partnership model but initiatives like Hybrid Annuity Model (HAM), Build Operate Transfer (BOT) (Toll) and BOT (Annuity) have attracted participation and investment from various players.

Investment in Road Sector (in ₹ Lakhs Crores)



Data as on 30.09.2019
Source: MoRTH, Note: IEBR – Internal and Extra Budgetary Resources.

Roads and Highways are essential for rapid economic growth. The pace at which roads have been constructed has grown significantly from 17 km per day in 2015–16 to 29.7 km per day in 2018–19. Total investment in roads and highways has gone up more than 3–4 times in the five year period ranging from FY2014–15 to FY2018–19. The current allocation by Ministry of Road Transport and Highways is approx. ₹ 1,20,147 Crores for FY20–21.

At present, the sector needs to prioritize maintenance and capacity augmentation of huge road networks, focusing on multi-modal transport integration and road safety. Effective policy implementation will help to solve a lot of issues troubling the sector.



Water and Irrigation

Water is an essential resource and the government has taken initiatives to conserve and reuse it. Accordingly, the Jal Shakti Abhiyan (JSA) has been launched in July 2019 to speed up water conservation in the most water stressed blocks and districts of India. JSA has delivered over 3.5 Lakhs tonnes of water in 256 districts till September 2019 through rain water harvesting, rejuvenation of traditional water bodies, implementation of water conservation tactics and watershed development projects.

Gol had also launched a flagship programme, "Pradhan Mantri Krishi Sinchai Yojana" in FY15-16 which covers a total area of 8.01 Lakhs hectares in FY19-20 under the Micro irrigation initiative. Formulated with an aim to increase irrigation coverage and improve water efficiency, its 'Per Drop More Crop' initiative focuses on micro irrigation systems (sprinkler, drip, pivots, rain-guns etc.) to promote precision farming by making water easily available.

To support the programme, the Gol has approved a corpus of ₹ 5,000 Crores to set up a dedicated "Micro Irrigation Fund" with NABARD in FY19-20. Besides, ₹3.60 Lakhs Crores has been approved for Jal-Jeevan Mission to boost local water sources, recharge existing sources, promote water harvesting and de-salination¹⁵.

The Gol has created two basic dedicated funds – a long term irrigation fund and a micro irrigation fund, with an initial outlay of ₹ 450 Billion. At present, the irrigation sector has 182 projects in its pipeline with an investment outlay of more than ₹ 7 Trillion. In the next 6 years, from 2020-2026, the irrigation sector is expected to provide



huge opportunities to Engineering, Procurement and Construction (EPC) Companies, project developers, engineers and equipment companies¹⁶.

Manufacturing Sector

Industrial civil works plays a vital role in the manufacturing sector, which includes plant, industrial building, chimneys, silos, conveyers, furnace and administration buildings. India's manufacturing sector is performing well despite a global slowdown. India's manufacturing PMI stood at 55.3 in January 2020, recording an eight year high performance¹⁷. The growth was mainly on account of rebound in demand, leading to a rise in hiring and production activity. New business growth and a strong project pipeline have contributed to this job creation.

The Union Budget 20-21 announced the "Assemble in India" plan under the aegis of "Make in India" Programme. This programme aims to promote India

as a hub for assembling products for major global manufacturers. Business sentiment remains positive as the Indian government tries to increase the share of the sector in the GDP to 25% from an estimated 2% in FY19-20¹⁸. It is also estimated to create 100 Million new jobs by 2022.

Outlook

As per the Global Infrastructure Outlook 2017 published by Oxford Economics, the estimated global infrastructure investment requirement is US\$ 94 Trillion for the period between 2016 and 2040. Out of this envisaged infrastructure investment, ~50% is required in Asia alone (with China, India and Japan being major contributors) and investments in roads and electricity sub-sectors is anticipated to be ~67% of the total investments. This presents enormous opportunities in the civil construction EPC space, in domestic and international markets.

¹⁵Union Budget 2020-21

¹⁶India Infrastructure Research Report on Irrigation sector in India 2019

¹⁷IHS Markit report

¹⁸National Statistics Office of India & IBEF

Company Overview

Over the last three decades, JMC has emerged as one of the leading civil construction EPC companies in India. JMC is renowned for its excellent execution skills, adherence to safety and quality standards and efficient use of advanced technology. The Company's presence spans across residential complexes and townships, hospitals, hotels, commercial complexes, factories and buildings, water supply and irrigation, roads and highways, urban infrastructure, industrial units and power plants.

The Company also aims to contribute towards sustainable nation building efforts and improve its reach in international markets. Presently, JMC carries out operations in the SAARC and the African Continent. The Company expects to receive more orders from the international market and eventually, contribute towards the growth of the industry. With the overall development in India's infrastructure, JMC is well placed to take advantage of the same and further strengthen its roots in the country.

Business Strength and Strategies

- The Company is a renowned brand in building, industrial and infrastructure sector, with a capability to capitalize on opportunities.
- With best in class technology, the Company is poised to undertake and complete projects on time.
- Continuous focus on building professional and skilled employees, enabled the Company to create an efficient and extremely valuable workforce.
- JMC adopts innovative sustainable solutions to reduce its environmental footprints and ensure a better quality of life.

- With its deep expertise and knowledge, the Company is able to compete in challenging and complex projects.
- JMC Projects has a strong clientele base ranging from government to private entities. The business provides services of construction Civil & structural, mechanical, electrical and fire-fighting engineering etc. for all major industries and project types.

Operational Highlights and Achievements

During the year under review, the Company has received new contracts of approximately ₹ 3,364 Crores. As of 31st March 2020, the aggregate value of orders in hand amounts to ₹ 9,546 Crores. The details of some of the major/prestigious contracts received during the year are as follows:

- Construction of Regional Head Office, Residential Training Centre, Currency Chest and Bank Retail Office Building of HDFC Bank Ltd. in Kolkata.
- Main Civil Works for Green Field Multi Level / Multi Product Beverage Facility in Jalpaiguri, West Bengal.
- Execution of two rural piped water supply projects pertaining to Nabrangpur District in Odisha.
- Renovation work of selected projects under JMADA Dhanbad Water Supply Scheme in Jharkhand.
- Construction of Provident Equinox Residential Project in Bengaluru, Karnataka.
- Construction of shell and core works of Mall and Multiplex for Sparkle One Mall Developers, Bengaluru, Karnataka.

- Construction of Main Civil Works of RMZ Eco-World in Bengaluru, Karnataka.
- Civil Works for Bagmane Xenon Project in Bengaluru, Karnataka.
- Construction of Civil Structure for Commercial Project of Salarpuria Sattva in Bengaluru, Karnataka.
- Construction of Prestige Skytech Commercial Building in Hyderabad, Telangana.
- Architectural, Civil, PHE and Firefighting Works of Residential Towers - VIVA City, Incor Smart Homes, Hyderabad, Telangana.
- Construction of IT Hub for Aparna Constructions and Estates in Hyderabad, Telangana.
- Construction of Residential and Multiplex Building for Aparna Constructions and Estates in Hyderabad, Telangana.
- Civil Works for Commercial Office Building - Prestige Alphatech in Pune, Maharashtra.
- Civil Works for PepsiCo Commercial Project for Wadhwa and Associates in Mumbai, Maharashtra.
- Civil and Structural work of Emaar Digi Homes in Gurugram, Haryana.
- Civil and Finishing Works for Residential Development of Brigade Enterprises in Chennai, Tamil Nadu.

Financial Highlights

Revenues

On a standalone basis, the income from operations for the Company has increased by 14% to ₹ 3,713.03 Crores in FY19-20 from ₹ 3,252.86 Crores in FY18-19.

Operating Margin

Core EBIDTA (excluding other income and provision for ECL) for FY19-20 was ₹ 411.35 Crores as compared to ₹ 336.93 Crores for FY18-19. Core EBIDTA margin has increased to 11.1% in FY19-20 from 10.4% in FY18-19. The operating margins improved slightly even after increase in prices of major raw materials and rise of labour costs. The improvement was mainly on account of better margins in new projects, process improvements and operating efficiencies.

Costs & Expenses

Employee Costs

Manpower cost for FY19-20 was ₹ 346.41 Crores, an increase from ₹ 302.55 Crores in FY18-19. However, in terms of percentage of Turnover, it remains stable at 9.3%.

Expected Credit Loss (ECL) Provision

Expected credit loss provision for loans and advances given to JV i.e. Kurukshetra Expressway Private Limited was ₹ 79.47 Crores in FY19-20.

Other Expenses

Other Expenses as a percentage of turnover has increases to 3.8% in FY19-20 as compared to 3.3% in FY18-19. Other expenses have increased mainly because of increase in rates and taxes and ECL provision. Other Expenses mainly include general and administrative

expenses such as traveling and conveyance, communications, security, insurance, information technology expenses, sundry expenses, rates and taxes, professional and legal charges etc.

Interest Expenses

Interest expenses for the year FY19-20 increased to ₹ 125.17 Crores from ₹ 95.06 Crores in FY18-19. In terms of percentage of Turnover, it has increased to 3.4% for FY19-20 from 2.9% for FY18-19.

Depreciation

Depreciation cost as a percentage of turnover has increased to 3.2% in FY19-20 to 2.4% in FY18-19, due to increased capitalisation of assets.

Taxes on Income and Deferred Tax Provision

The Company's Deferred Tax Asset (net) has increased from ₹ 36.26 Crores in FY18-19 to ₹ 47.46 Crores in FY19-20. The Company has made current Tax provision of ₹ 48.65 Crores and deferred Tax provision of ₹ (10.79) Crores. Hence total Tax expenses works out to ₹ 37.85 Crores.

The Company has elected to exercise the option permitted under section 115BAA of the Income Tax Act - 1961 as introduced by the Taxation Laws (Amendment) Ordinance 2019. Accordingly, the Company has recognized tax expenses for the year ended 31st March, 2020 and re-measured its deferred tax assets basis the rate prescribed in the said section. Profit for the period is lower by ₹ 1,014.08 Lakhs due to re-measurement of deferred tax assets recognised upto 31st March, 2019.

Net Worth

The net worth of the Company has increased from ₹ 923.27 Crores as on 31st March, 2019 to ₹ 969.91 Crores as on 31st March, 2020. The increase in amount of net worth is on account of internal accruals.

Borrowings

The total standalone borrowing has increased from ₹ 765.6 Crores as on 31st March, 2019 to ₹ 849.5 Crores as on 31st March, 2020. The Debt-Equity Ratio is at 0.88 as on 31st March, 2020, which was 0.83 as on 31st March, 2019. The Company maintains healthy A1+ and A+ credit rating for its short term and long term borrowings from CARE, respectively.

Cash and Bank Balance

Cash and Bank balance decreased from ₹ 76.92 Crores as of 31st March, 2019 to ₹ 45.68 Crores as of 31st March, 2020.

Capital Expenditure

During FY19-20, the Company has capitalized additional fixed assets of ₹ 186.18 Crores. Major funding of the capital expenditure was made from the proceeds of term loan taken from Banks /financial institutions and from internal accruals.

Current Assets & Liabilities

The Company's current assets primarily consist of debtors, inventories, cash and bank balances and loans and advances. Total current assets as on 31st March, 2020 were ₹ 3,051.84 Crores as against ₹ 2,930.17 Crores as on 31st March, 2019. The Company's current liabilities primarily consist of short term borrowings, trade payables, short term provisions and other current liabilities. Total current liabilities as on 31st March, 2020 was ₹ 2,272.78 Crores as against ₹ 2,049.88 Crores as on 31st March, 2019.

Financial Ratios

(Ratios)

Ratios	Standalone		Consolidated	
	FY2019-20	FY2018-19	FY2019-20	FY2018-19
Debtors Turnover (No. of Days)	96	96	93	92
Inventory Turnover (No. of Days)	24	25	23	24
Interest Coverage Ratio	2.87	3.8	1.72	1.98
Current Ratio	1.20	1.27	1.09	1.21
Debt Equity Ratio	0.88	0.83	3.19	2.94
Operating Profit Margin (%)	9.68	11.12	11.61	13.4
Net Profit Margin (%)	1.68	4.53	(0.4)	2.4

Further, the Return on Net worth ratio (Standalone) during FY19-20 was 12.3% as compared to 22% during FY18-19 which is lower by 10 bps majorly due to ECL provision made on advances given to Kurukshetra Expressway Pvt. Ltd. Further the Return on Net worth ratio (Consolidated) during FY19-20 was 5.9% as compared to 21.5% during FY18-19 which is lower by 15.6bps on account of lower profitability. Similarly, Net Profit Margin at both standalone and consolidated level has declined due to lower profitability on account of provision for expected credit loss towards loans and advances given to subsidiary Company.

Risk Management

JMC constantly monitors its external environment to evaluate and identify potential risks and threats that might impact its operations. The Company has taken pre-emptive actions to mitigate such risks.

1. Performance of Construction industry and real estate market

Meaning	Mitigation Strategy Adopted	Likelihood
Economic slowdown and changes in regulatory environment may impact the construction industry or real estate market, adversely affecting the Company's operations.	JMC Projects is positioned to capitalize on growing market opportunities. In such situations, Company reviews its policy every quarter with focus on achieving its key business objectives in the given policy framework covering growth, profitability and actions taken to address these risks.	Low

2. Availability and price of raw materials

Meaning	Mitigation Strategy Adopted	Likelihood
Reinforcement Steel, Readymade Concrete, Steel, Pipe and Pipe Fittings and Cement are some of the raw materials required by the Company. Its price and availability may be affected due to a gap in supply demand, intense competition and changes in production level. Price fluctuations and inability to procure products on time might impact the brand value and profitability of the Company.	The Company maintains healthy and mutually beneficial relationships with its suppliers, leading to uninterrupted supply of quality raw materials. Further, it also enters into contracts with clients to fix the base price of raw materials. It also includes a general escalation clause based on the wholesale price index of materials, wherein the risk of fluctuating input costs is passed on to the Client.	Low

3. Changes in the competitive landscape

Meaning	Mitigation Strategy Adopted	Likelihood
The construction industry is prone to competition from new as well as existing players. Intense competition may lead to pricing pressure, impacting the profitability and growth of the Company.	State-of-the-art infrastructure, unmatched capabilities and a comprehensive product range maintain the Company's position as a market leader. JMC also enjoys strong and healthy relationships with major clients, ensuring sustained future earnings.	Moderate

4. Information technology and cyber threat

Meaning	Mitigation Strategy Adopted	Likelihood
With digitization there is an added threat of cyber-attack and loss of information due to inadequate IT infrastructure. This may result in loss of data which in turn may lead to financial losses, business & customer service interruption and loss of confidential information.	JMC continuously strives to improve the security of its digital assets, adopting measures to combat and manage cyber threats efficiently. The Company also adopted new-age technology to increase operational efficiency and improve collaboration between various departments. For more information refer Information Technology section in the MDA.	Low

5. Retention and acquisition of skilled employees

Meaning	Mitigation Strategy Adopted	Likelihood
A Skilled and talented workforce is the key to an organization's success. Unable to retain or acquire competent and expert employees may hamper the Company's ability to pursue its growth strategies effectively.	The Company has a strong retention and succession policy in place. It regularly undertakes training and development programmes, engages employees in various activities and encourages talent through mentoring programs.	High

6. Management of currency risk

Meaning	Mitigation Strategy Adopted	Likelihood
The Company is exposed to currency risk on account of its operations in the international market. Given the volatile market conditions, fluctuation of currency rates may adversely impact the profitability of the Company.	Measures such as hedging, interest rate swaps and forward currency contracts help the Company to mitigate risks arising from currency fluctuation.	Low

7. Business disruption and uncertainty due to COVID-19

Meaning	Mitigation Strategy Adopted	Likelihood
Operations of the Company could be impacted due to the recent Coronavirus pandemic causing major disruptions to the supply chain and resulting in low customer demands. It may lead to declining growth and profitability.	Contingency plans, for such an unprecedented situation, were developed and reviewed according to changing circumstances. The Senior Management as well as operational teams continued to monitor the situation to offer timely support and information. Continuous engagement with stakeholders, including customers, bankers and vendors, also enabled the Company to convey the status of operations, to allay concerns and restore trust and confidence in the Company's strategies. Some steps taken by the company to mitigate this risk: <ul style="list-style-type: none"> Prudent cash management and efficient working capital management with sharp focus on collections and payments, cost reduction and management. Remobilization of the work force Exploring opportunities in countries that are least impacted by COVID-19. Mechanization and digital advancement initiatives to improve productivity and lower operational cost 	High

Environment, Health and Safety Management System (EHS)

JMC has integrated Environment, Health and Safety Management System (EHS) as a core value proposition. The Company encourages its employees to translate its EHS policy into practice and motivates them to incorporate safety procedures in all operations and functions. To achieve the organizational goal of ZERO harm, the Company aims to integrate safety in construction procedures. Moreover, JMC is committed to promote a safe working environment by incorporating EHS in daily operations, to prevent injury and illness of employees, contractors & visitors, to promote best practices as well as to ensure compliance with corporate, state and local obligations governing the business.

In FY2019-20, JMC inculcated safety drives and delegated safety ownership to line management, employees and contractors for prevention and mitigation of incidents, with a focused approach on the following areas:

Process Driven Structure

- Transition from BS OHSAS 18001-2007 to ISO 45001-2019 & adoption of Integrated Management System (IMS), Certification: Applied for International certification for ISO 45001:2018 (OH&S), ISO 14001:2015 (EMS) & ISO 9001:2015 (QMS) for EHS management system. Certification for multiple management system standards is usually evaluated in a single, comprehensive audit to reduce the time spent on these procedures as well as to minimize the expenses incurred for the same.
- Safety walk through by PM/PIC/PC along with team leaders and EHS personnel on weekly basis.

- P&M being a critical area, tracking and chasing of P&M through compliance is a must. Daily safety reporting and joint inspections are encouraged to mitigate the risk.
- Gradually increased reporting of near-miss incidents, in comparison to past three years.
- Rolled-out Annual Rate Contract (ARC) for procurement of uniform and standard safety gears/appliances through centralized vendors.
- Rolled-out PPE Issuance & reconciliation procedure for cost optimization and uniformity of PPEs.
- Full-fledged implementation of Safety Park to re-create project site scenarios and train the workers.
- Empowerment of EHS staff to control unsafe conditions, which may disrupt systems and result in work stoppage.
- PONC (Price of Non-conformity) tracker tool is used to analyse the cost incurred due to unsafe practices.
- Better monitoring by EHS staff for extended working hours.
- Periodical health check-ups for food processors & handlers and six-monthly eye test for equipment operators and drivers.
- Effective and Constant Daily Safety reporting from all sites.
- Integration of EHS in planning and designing stage of IFC checklist.

Robust EHS Review Mechanism

- Review of EHS performance through Corporate EHS level 3 Audit system by RO/HO heads and at the site level.

- Monthly Project Performance Review (PPR) by BU heads and quarterly as well as yearly review during Management meetings.
- Use of Corporate EHS Initiative Safety Check observation user tool (SCOUT) by executives visiting project sites from RO/HO during site visits.
- Annual feedbacks from clients/customers to understand their expectations on safety.

More Focus on Training

- Training and Certification for Internal Auditor certification of ISO 45001:2018/14001:2015/9001:2015 for employees from QA/QC and EHS functions.
- Scaffolding Inspectors have been assigned at various B&F and Infrastructure projects by OSHA approved agency.
- Rigging and slinging techniques training for Industrial & Power business
- Various trainings are identified as per skill matrix and conducted as per monthly schedule (4 trainings every month for workers and 2 trainings for staff). Overall 34,112 trainings for workers and 1,982 trainings for staff has been conducted.
- Defensive driving training for heavy equipment operators at INFRA and WATER BU.

Effective Communication

- Reporting of Incidents to RO/Corporate through Fast track incident communication/reporting and Investigation of incident through Why-Why Analysis helps to derive root causes of incidents.

- Incident sharing & analysis of case study through Safety alerts.
- Rolled-out EHS E-journal on a quarterly basis for knowledge sharing.
- EHS dashboards/EHS statistic boards to reflect and monitor performance.
- Site personnel are encouraged to report any incidents instantly using safety toll-free number.
- Monthly EHS meeting on specific agenda with Business Unit EHS heads.
- Development of Daily toolbox talk status through Whatsapp.

Safety Walkthrough/Audit Mechanism

- 4,252 weekly walk-through inspections/Audits by PM/PIC/PC carried out.
- Periodic IMS System Audits and close tracking of NCRs.
- Weekly joint inspections by P&M and EHS function.
- Fortnightly joint inspections of workmen camp by admin and EHS functions.

The Company has been consistently transcending EHS compliance across all project sites and building high standards of safety in the organization with robust health and safety systems, processes, safer equipment and trainings. This has helped it to achieve 9 International Awards i.e. 4 RoSPA Gold awards and 5 British Safety Council merit awards and various national awards i.e. 12 CIDC Vishwakarma national awards, 15 Safety Awards from Ministry of Labour and Employment, 2 OHSAI star awards and client appreciations for achieving

exemplary safety milestones and splendid EHS performances in 2019-20.

Internal Controls and their adequacy

The Company have implemented an internal control framework to ensure all assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly. The framework includes internal controls over financial reporting, which ensures the integrity of financial statements of the Company and eliminates the possibility of frauds. The Company's internal control system is commensurate with its size, scale and complexities of its operations.

The Company operates through ERP system – SAP and has implemented adequate internal controls, which safeguards the Company's resources and ensures efficiency in operations, effective monitoring systems and compliance with laws and regulations. The Company has an internal control mechanism which is aligned with its evolving needs.

The Company's Corporate Audit & Assurance department issues well documented operating procedures and authorities with adequate built-in controls. These are carried out at the beginning of any activity and during the process, to keep track of any major changes.

As part of the audits, they also review the design of key processes, from the opinion of adequacy of controls. Periodic reports – as part of continuous monitoring – are generated to identify exceptions through data analysis. The internal controls are tested for effectiveness, across all the locations and functions by the Corporate Audit team, which is reviewed by the management from time to time, for corrective action. Controls with respect to authorization in underlying IT systems are also reviewed periodically to ensure users have access to only those transactions that their roles require. The Company's head office in Mumbai and offices across India, follow an Information Security.

Suggestions, recommendations and implementation of Internal Auditors are placed before the Management and the Audit Committee of the Board



of Directors periodically. The Audit Committee periodically reviews the adequacy of the internal control systems and provides direction and guidance. During FY20, the Audit Committee was satisfied with the adequacy of the Internal Control systems and procedures of the Company.

Employees are guided by the 'Code of Conduct' that reflects and reinforces the unique corporate culture and values. A separate 'Code of Conduct' for Business Partners seeks to ensure they align to Company's values.

Whistle-blower mechanism is an important element of the internal control system encouraging employees to report genuine concerns, misconduct or fraud without any fear of punishment or unfair treatment. The operation of Whistle-blower mechanism is overseen by the Audit Committee.

Human Resource Management

The Company has a continuous focus to forte its workforce and expand its human resources capabilities. With talent development and talent acquisition at its core values, the Company has strengthened its workforce from time to time. The Company also provide necessary training to enhance the skills of its employees, as per industry requirements.

In FY19-20, JMC continued focusing on People, Process and Technology across the employee lifecycle, thereby building a talent-driven and high-performance organization. This year the focus has been to strengthen HR Operations, sustain People Processes and prepare for upcoming growth. The new initiatives regarding vision, mission, employee productivity, process excellence and HR technology were completed successfully during the year.

Employee Productivity

Productivity studies were taken up successfully during the year. This has paved the way for optimal utilization of human capital across Business Units. Implementation of actions emanating from productivity enhancement was also initiated with the help of cross-functional teams.

HR Technology

Having implemented the SAP Success Factors - HR services platform (Human Tree), the processes have become much simpler and accessible for employees across any location, providing immense flexibility to exercise e-learning, people collaboration, recruitment processes, goal setting & appraisals and management dashboards. This has supported the fast pace of our business requirements and also achieved the objectives of improved employee experience, better employee insight and moving towards a paperless office.

Talent Acquisition

Talent infusion in the respective businesses is a major focus area and was managed effectively in a highly competitive talent acquisition scenario. Talent acquisition has played a vital role in attracting best-in-class talent from industry for key positions and for hiring bright students from well-known construction management institutes and management colleges. The Company has a total of 3,600 employees as on 31st March 2020.

People capabilities to build a sustainable business

Learning & Development (L&D) interventions have helped in enhancing the functional and behavioural competencies of our employees. These interventions included Assessment and Development Programs, e-Learning initiatives, participation in Industry-

specific external forums, MDP program through Management Institutes and various classroom-based training programs.

Employee Participation

Employee participation was visible across the Company in various Employee Communication and Engagement forums like Town Halls, HR Hour, Coffee with HR, Technology awareness sessions, Self-learning and development initiatives.

Work Culture

The Company recognizes people as its most valuable asset and it has built an open, transparent and meritocratic culture to nurture this asset. It promotes a work environment that is characterized by fair and equal treatment for all employees. JMC is committed to maintain the highest standards of ethics, learning environment and growth opportunities for all its employees.

Information Technology

The Company strives to digitize its operations to increase efficiency, reduce defects and stay ahead of its peers. In FY18-19, the implementation of SAP HANA with CPM allowed the Company improve collaboration among various departments. During the year under review, the Company extended the SAP functionality by implementing BI Dashboards to visualize the presentation of data to senior management. The Company's auditors successfully completed IT General Controls (ITGC) audit and found that the implemented controls at various levels are satisfactory.

The Company implemented SAP Success Factors (Human Capital Management System) to transform HR Practices and deploy best practices to

effectively manage its human capital. The modules that have gone live are Employee Connect – JAM, Performance Management System, Learning and development. HR achieved 100% rollout of Performance Management System for 2019–20. With this HR is planning to rollout recruitment and Learning / training modules to integrate talent acquisition and talent development processes to further improve employee productivity.

The Company's data security efforts are in continuous review and appropriate & necessary actions are initiated pro-actively to further improve and to adopt new technologies. The Company is including Business Information Security Officer (BISO) to its IT Team to dedicatedly monitor and protect the Company's digital assets from unwanted data threats.

As the industry is heading for Industrial 4.0 organizations are bringing in new technologies like Robotic Process Automation (RPA), Chatbots and IoT devices to connect various equipment and gather data for further optimization and utilization of P&M equipment and Fuel management systems. LiDAR and Drones are being used for aerial surveys to improve the land survey and for monitoring of linear projects, evaluations and Proof of Concept (PoC). of some of these technologies were successfully implemented and IT is engaging with business units to enable phase wise rollout of various features.

The Company is planning to implement Project Life Cycle Monitoring (PLCM) systems to improve execution and collaboration between various stakeholders, to enable gathering

of data from source location using mobiles/smart phones to building the near live information system dashboards.

To improve the co-ordination of engineering process, the Company has introduced integrated Design/Estimate/Plan process using 3D/4D/5D tools, which will also help the project teams to execute the projects without any hindrances with respect to architecture/drawings. Reviewing of drawings and providing comments using mobile devices at site using Jobsite view mobile apps to further improve co-ordination between project execution team, purchase team and Engineering team.

One of the prime objectives is to setup a command control center at Head Office (HO) to remotely monitor the project progress visually and with key data parameters using project dashboards. The Company has already initiated a few projects and it will progressively cover major Critical projects.

To further refine the IT system adoptions, the Company conducts a bi-monthly review with all Business and Functional heads.

Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward-looking within the meaning of applicable securities law and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations

include stiff competition leading to price-cuts, high volatility in prices of major inputs such as steel, cement, building materials, petroleum products, change in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

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, global pandemic like COVID-19 may 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.