Management discussion and analysis report

INDIAN ECONOMIC REVIEW

During the year under review, the macro-economic environment in India has been rather tepid due to multiple factors, the major contributors being the crisis that hit the NBFC sector which had been fueling the consumption story of the country through easier access to credit to retail borrowers, low investments by the corporate/ industrial sector and the overall low demand across sectors, including real-estate. India's GDP growth for FY2019-20 is estimated at ~5% compared with 6.1% in the previous year. Manufacturing growth contracted by 1.3%, as against 3.8% growth in FY19. A sharp slowdown in economic growth and a surge in inflation weighed on the country's currency rate; the Indian rupee emerged as one of the worst performers among Asian peers, marked by a depreciation of nearly 8% over fiscal year 2019-20. Retail inflation climbed to a six-year high of 7.6% in January 2020 before moderating to 5.9% in March.

Despite the economic challenges, India emerged as the fifth-largest world economy in 2019 with a gross domestic product (GDP) of $2.94 trillion. India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking.

The challenging business and economic environment during the year under review was further exacerbated by a nationwide lockdown imposed towards the end of the financial year under review to contain the spread of novel coronavirus. The nationwide lockdown has cast a long shadow on the anticipated recovery of the Indian economy in Fiscal 21. The economy will also have to grapple with external factors like weak global demand and supply chain disruptions along with factory shutdowns, curtailment of discretionary spend and delayed capex cycle.

KEY GOVERNMENT INITIATIVES, 2019-20

National infrastructure pipeline: To achieve a GDP of USD 5 trillion by 2025, the government announced a National Infrastructure Policy entailing an investment of ₹102 trillion in five years.

Corporate tax relief: The government slashed the corporate tax rate to 22% from 30%; it announced a new tax rate of 15% for new domestic manufacturing companies, strengthening the Make-in-India initiative. The new effective tax rate would be 25.17%, inclusive of a new lower surcharge of 10% and cess of 4%. India's corporate tax rate is progressively converging to the global average tax rate of 23.03%.

Outlook

Given the uncertainties created by the novel coronavirus, it is impractical to hazard forward projections of the country's economic performance till the spread of the infection stabilizes and its full impact on the society and economy can be assessed. Your Company has opted for the path of being flexible and adaptive, rather than predictive. Still, a tentative forecast puts the Indian economic growth at 1.5% in 2020-21 while nearly all major G20 economies are expected to shrink due to COVID-19 impact.

INDIAN CEMENT INDUSTRY OVERVIEW

Accounting for ~8% of the global installed capacity, the Indian cement industry retained its position as the world's second largest cement producer. Of the country's installed capacity of 509 million tonnes (MT), around 98% is in the private sector. The country's per capita consumption of cement was pegged at 235 kgs compared to the global average of 520 kgs in 2019, indicating multi-year growth headroom.

The cement sector is a key contributor to GDP, generating employment for over one million people. However, while having to cope with the slower rate of growth in the economy throughout the year, the cement sector, alongwith the rest of the economy, has suffered further setbacks in the wake of the novel coronavirus pandemic as construction work has slowed and migrant on-site workers have been returning to their native places.

India's cement demand reported de-growth of 1% in FY20, the second such instance in 15 years. The incremental supply exceeded cement demand by 27 million tonnes.

Cement demand progression

FY18	9%
FY19	12%
FY20	(1%)
FY21[P]	(10-25%)

Realisations per tonne of cement

FY18	₹4568
FY19	₹4658
FY20 [P]	₹4877
FY21[P]	₹4750-4760

(Source: CRISIL Research)

Prospects for the country's cement industry appear sluggish for FY 21 impacted significantly by the pandemic. Some estimates state that the demand for cement in India could contract by as much as 20% in FY21, that would be the sharpest annual decline in years, if it happens. The recovery of the sector could be delayed on account of lower government infrastructure expenditure and weak demand from the country's real estate sector. This could moderate sectoral capacity utilisation to 56-58% with a corresponding decline in realisations by 2-3% due to the increased non-trade sales. (Source: Equity master, CMA Care Ratings, Cement, Economic Times, Business Today, CRISIL Research)

Cement demand drivers

Notwithstanding the unprecedented level of uncertainty created by the pandemic, the long term view of the Indian cement sector has to factor in the following: -

Rising incomes: The nominal per-capita net national income in 2019-20 was estimated at ₹135,050, a rise of 6.8% compared to ₹126,406 in 2018-19.

Urbanisation: India's urbanization is expected to grow from 34% in 2019 to 40% in 2030, which is likely to strengthen housing and cement demand.

Housing shortage: India is experiencing a shortage of 10 million affordable housing units. With the Government's focus on plugging this gap, the cement sector is expected to enjoy sustained traction.

Office space growth: India's office leasing volume for 2019 was pegged at 60.6 million square feet, growing 27% y-o-y. A large number of these projects remain unfinished, driving future cement offtake.

Infrastructure boost: The national infrastructure pipeline projected infrastructure investment of ₹102 lakh crore between 2019-20 and 2024-25.

Highways: The country's highway length increased from 91,287 km in April 2014 to ~1,32,500 km in December 2019. Average highway construction was pegged at 32km daily in 2019-20 and expected to grow.

Port: The country's port sector (13 major and 200 minor ports) is expected to implement infrastructure upgradation.

One of the positive outcomes of this pandemic could well be the urgency to improve and decongest urban sprawls and create better living conditions including improved hygiene and sanitation. This could bring new opportunities for the cement industry.

SECTOR - STRENGTHENING GOVERNMENT INITIATIVES

Pradhan Mantri Awas Yojana (PMAY-Urban): The Government intends to build one crore houses by 2022.

Pradhan Mantri Awas Yojana (PMAY-Gramin): Under the second phase of this initiative, the Government intends to provide 1.95 crore houses to eligible beneficiaries between 2019-20 and 2021-22.

Pradhan Mantri Gram Sadak Yojana (PMGSY): Under Phase III, the Government allocated ~₹80,000 crore for the upgradation of 1.25 lakh km of rural roads between 2019-20 and 2024-25.

Smart Cities Mission: More than 5,000 projects worth more than ₹2 trillion were under different stages of implementation across 100 cities.

Bharatmala Pariyojana: The Government approved the first phase of this road building initiative and is projected to cover 34,800 km with an outlay of ₹5,35,000 crore. Until October 2019, the Government had approved 255 road projects with an aggregate length of about 10,699 km and a total cost of ₹2,64,916 crore.

Sagarmala Pariyojana: The Government identified more than 574 projects to be implemented for ₹6.01 lakh crores between 2015 and 2035. Out of this, 121 projects entailing spending of ₹30,228 crores had been completed till October 2019; 201 more projects are under implementation.

(Source: ICTAS, Hindu Business Line, Businesswire, CRISIL Research, Economic Times, PMAY, Business Standard, MoSPI, Marketwatch, PIB, Financial Express)

ORIENT CEMENT'S PERFORMANCE, 2019-20

Financial performance

Your Company has reported revenues of ₹2,439.52 crore in 2019-20, a de-growth of ~4% compared to ₹2,536.14 crore in the previous year impacted by lower volumes during the year. Despite the revenue decline, the Company's EBITDA stood at ₹400.59 crore in 2019-20, a ~23% increase compared to ₹326.01 crore in the previous year. The Company reported a post-tax profit of ₹86.59 crore in 2019-20, compared to ₹47.55 crore in FY19, an increase of ~82%. In view of this, despite the anxieties created for the economy by the novel coronavirus, the Company proposes a dividend of ₹0.75/- per equity share worth ₹1/- (fully paid-up).

The Company has protected its market share as a result of extensive branding initiatives, strong technical support and improvement in service to the channels and customers.

A focus on premiumization, enhanced efficiencies, improved pricing and strong controls on fixed costs has contributed to the improved profitability.

Key financial ratios

Particulars	31st March, 2020	31st March, 2019	Variance (%)
Debtors turnover	14.97	14.05	6.55
Inventory turnover	10.24	13.56	(24.53)
Interest coverage	3.62	2.93	23.81
Current ratio	1.00	0.90	11.87
Debt equity ratio	1.10	1.22	(10.43)
Operating profit margin	16.54%	12.93%	27.97
Net profit margin	3.49%	1.86%	88.12
Return on net worth	7.57%	4.45%	70.15

During the year ended March 31, 2020, the operating profit ratio improved by 27.97%, from 12.93% in FY19 to 16.54%. During the same period, the net profit margin improved by 88.12%, from 1.86% in FY19 to 3.49% in FY20 and the return on net worth improved by 70.15%, from 4.45% to 7.57%.

These improvements are a result of premiumisation strategies adopted by the Company, improved efficiencies, higher AFR usage, improved fuel mix, other effective cost control measures both for fixed and variable costs, adopted by the Company and better cement price realisation during the year.

OPERATIONS

In a competitive and capital-intensive business, success is derived from the ability to maximize asset utilization on the one hand and drive superior operational efficiencies on the other. Your Company has been successfully strengthening this culture of resource-optimisation through innovation and continuous improvement.

The Company addressed rising energy costs by moderating energy consumption and optimizing the use of cost-effective fuels, without compromising plant productivity or product quality. It has always remained compliant with the statutory norms related to the environment, people and equipment.

The Company strengthened its focus on fuel flexibility and optimised fuel costs through the consumption of lowest cost fuels. The Company has been exploring different alternative fuels and sources and has steadily increased its thermal substitution rate. The Company integrated management systems like ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018 to ensure standardized processes and increase operational efficiency. By doing so effectively, your Company emerged as one of the most cost-effective cement producers in India.

During the year under review, your Company made significant progress on critical replacements and upgrades to deliver higher availability of major equipment, focus on process automation to improve costs and eliminate safety risks and further optimise power and fuel consumption through various initiatives. Initiatives to enhance output and efficiency of its captive power plant at Chittapur is also worthy of note.

The year ahead could prove challenging for the cement industry on account of uncertainties related to the duration of the impact of the pandemic. The Company intends to strengthen its cost management by further deploying its already developed capabilities to increase use of cheaper fuels and investing in the enabling infrastructure to do so. A number of low-to-moderate investment and quick payback projects have been identified across all three plants for progressive rollout.

One of the major initiatives proposed to be undertaken by your Company during FY21 is digitization and use of data-analytics in decision-making across operations, to further strengthen performance and drive monetization of efficiency improvements.

SALES AND DISTRIBUTION

The year under review was challenging for the Company as the cement industry reported a de-growth of 1% on pan India basis. The industry de-growth in demand in the Company's addressable markets in Telangana & Maharashtra has been much steeper than the overall cement industry de-growth. In these challenging times, your Company has deepened its channel network making best use of its efficiencies in manufacturing and production capabilities. The Company's brands leveraged their strong brand recall as well as the strategic location of its Devapur, Jalgaon and Chittapur plants. Your Company added 491 dealers and 1891 retailers during the year, strengthening its sales and distribution footprint. It strengthened channel and institutional sales (channel sales to retailers / dealers and institutional sales to leading EPC companies and other B2B customers), penetrating deeper into Maharashtra, Telangana and Karnataka.

The Company's brands strengthened their respective market shares, improving their positioning in North Telangana and Maharashtra. The Company further widened its footprint across South Karnataka, South Gujarat and West Madhya Pradesh. During the year under review, your Company sold 5.8 million tonnes of cement, a decline of 9.5% compared to 6.4 million tonnes sold in 2018-19, on account of lower demand in the addressed markets and also due the novel coronavirus outbreak in the last quarter of the financial year.

Your Company further deepened its customer-centricity through its Key Account Management System (KAM) that focused on servicing the growing needs of key institutional customers and enhancing their relationship and wallet share, thus creating more traction with these institutional customers.

Despite this challenging scenario of negative demand growth in some of its major markets, your Company strengthened its visibility, product placement and availability by capitalising on longstanding dealer and retailer relationships. The Company effectively engaged with big, medium and small sized dealers spread across a large area of its operations, thereby reducing its dependence on just a few.

The Company's sales team is a well-balanced combination of experience and youth. Customized training ensures the delivery of necessary knowledge, skills and understanding of the latest technology tools to service customers. Following digitalization, the sales team enjoyed access to real-time data that accelerated customer service and marketplace responsiveness. Your Company re-aligned its sales team and distribution model to address consumer needs with increased effectiveness. The premium product "Birla A1 StrongCrete" gained good traction during the year under review.

Going ahead, your Company intends to deepen its rural penetration by leveraging the power of its brands, complemented by the addition of dealers and distributors and supported by an efficient and responsive service. This is expected to increase market share and the offtake of premium products leading to improved performance.

BRANDING AND MARKETING

Unlike other building materials, cement has been transitioning from a commodity into a branded product. There is an increased need to brand cement effectively, making superior recall a key sales driver. During the last few years, the number of brands on offer in India's cement industry has multiplied, increasing brand clutter as cement companies transformed the traditional sales counter approach into a multi-brand concept across markets.

Your Company proactively undertook initiatives to widen its digital footprint based on the conviction that an integrated branding strategy would translate into a competitive advantage. It leveraged the credible recall of the CK Birla Group, one of the country's most trusted business houses. The Company reinforced the recall of being a consistent manufacturer of quality cement products. A 360-degree communication approach helped the Company enhance pan-India visibility. A consistent investment in brand building strengthened customer loyalty and helped establish the premium offering of "Birla A1 StrongCrete" as a premium product best suited for load-bearing concrete structures.

The result is that the Company's products – 'Birla A1 StrongCrete', 'Birla A1 Premium Cement' (PPC), 'Birla A1 Premium Cement 53 Grade' (OPC) and 'Birla A1 Premium Cement 43 Grade' (OPC) - set industry benchmarks and were recognized as best-in-class.

Birla A1 StrongCrete: The Company developed a product marked by superior properties like fineness, particle size distribution and admixture proportion, making it possible to sustain high pressure and extreme weather conditions suited for load-bearing concrete structures. Positioned as the most premium product in the category launched in the Company's core markets.

Salient features

- Early de-shuttering due to OptiMix18TM properties
- Ideal for mixing, transportation, placement and compaction due to superior fineness that ensured denser, stronger and more compact concrete
- Produced with Pressure Sustaining Technology (PST), the Company's proprietary technology that enhances load-bearing pressure
- Contained an optimized dose of mineral admixtures,

ensuring the availability of a higher quantity of C3S (tri-calcium silicate) molecules responsible for the superior properties of 'Birla A1 StrongCrete'

- Packaged in tamper-proof and moisture-proof laminated polypropylene bags, minimizing wastage during transportation and ensuring product freshness.

Birla A1 Premium Cement (PPC): This flagship brand in the PPC category comprises an inter-grinding of Portland cement clinker, gypsum as well as fine-grained and reactive fly ash. The superior particle size distribution enhances strength, resulting in higher density and lower porosity in the hydrated cement resulting in increased durability. The sustainable nature of the brand attracted the prestigious GreenPro certification by CII-Green Products and Services Council (GPSC), making it one of the most recognized brands in Southern, Western and Central India.

Salient features

- Enhanced strength and durability
- Crack-free construction
- Environment-friendly product
- Increased resistance to extreme climatic conditions
- Mortar homogeneity, ensuring smooth plastering
- Optimum soundness resulting in weather-resistant construction
- Uniform particle size distribution (PST); superior cement coverage
- Better workability
- Lower maintenance needs

Birla A1 Premium Cement OPC 53 Grade: This pioneer of 53-grade cement in India was launched in 1992 as Orient Gold, opening a new building construction dimension. The brand was integrated into the Company's umbrella brand and repositioned as Birla A1 Premium Cement – OPC 53 Grade

Salient Features

- Higher initial setting
- Low heat of hydration; crack-resistant cement
- High ultimate strength creates strong and durable structures
- Optimum setting time ensures timely construction completion
- Uniform particle size distribution (PST) leads to superior cement coverage

Birla A1 Premium Cement OPC 43 Grade: Originally launched as Orient 43 Grade Cement, the product emerged as one of the first successful brands launched by the Company. The product is manufactured under controlled process conditions using sophisticated manufacturing equipment. Within a short time, the brand gained traction, transforming Birla A1 into a popular household name. The brand was integrated into the Company's umbrella brand and repositioned as Birla A1 Premium Cement – OPC 43 Grade.

Salient Features

- General purpose cement suitable for pre-cast and pre-stressed RCC construction
- Suitable for sheet and pipes of asbestos and non-asbestos-based products
- Suitable for general civil engineering construction works
- Compressive strengths significantly higher than BIS Standards

STRENGTHENING THE BRANDS

During the year under review, your Company strengthened its visibility through the following initiatives:

Brand film campaign: To strengthen StrongCrete's premium positioning, the Company launched a film titled 'Families Forever', the first time the emotion of 'love' was associated with a cement product/ brand. The film captured the security and love that an individual finds in a home, communicating the message that 'Birla A1 StrongCrete' ensures that a 'family home' lasts forever.

Partner of Hyderabad Hunters: The Company associated with prominent events to enhance recall and relevance. The Company associated with the Premier Badminton League team called Hyderabad Hunters led by the champion shuttler of India, Ms. P.V. Sindhu, enhancing market visibility.

Strengthening rural presence: The Company organized/ sponsored multiple events in diverse categories like sports, festivals and local events. These events attracted large number of participants and strong media coverage, enhancing rural visibility.

Orient Elite Club: The Company's customer-centricity and respect for channel partners was show-cased at the launch of the 'Orient Elite Club' that honoured the Company's leading dealers at an exclusive conference.

Strengthening relationships: The Company initiated activities to strengthen engagement with trade partners and retailers.

Moving media advertising: To enhance out-of-home visibility, the Company initiated branding across bulk carriers, each travelling more than 500 kms per day for at least 20 days a month across its addressed markets.

Swarna Utsav model: The Company organised dealer meets, where dealers were felicitated and invited to participate in fun activities with their families. During the year under review, the Company organised 28 Swarna Utsavs across all markets.

BRAND PERFORMANCE REVIEW, 2019-20

The year under review proved challenging for the economy, the cement sector and your Company. Yet, your Company launched the premium 'Birla A1 StrongCrete' in more markets, supported by reader-friendly content to educate customers and consumers about the brand's differentiation.

The challenge of communicating the value-proposition of 'Birla A1 StrongCrete' as a premium product was addressed through promotion in premium media outlets (hoardings, radio, movies and digital media), enhancing desired recall.

Even as the market remained competitive, comprising a large number of national and regional players, your Company enhanced visibility through collaterals like dealer and retailer boards, in-shop branding, company-owned hoardings, shop wall paintings and table-top gift items.

To address the challenge of communicating the 'The Forever Cement' brand philosophy in a cluttered communication environment, the Company targeted the audience's emotional quotient. The Company's 'Families Forever' film campaign highlighted Birla A1StrongCrete's positioning, garnered ~9.2 million views, was translated into Hindi, Marathi, Telugu and Kannada, was covered by 15 media houses and successfully transformed the way cement is promoted.

Even as the economic scenario of 2020-21 remains unpredictable, the Company plans to increase trade volumes, with 'Birla A1 StrongCrete' accounting for double-digit percentage of revenues; it also plans to further increase the aggregate contribution of PPC and the premium brand to the overall volume, increasing rural footprint and extending its association with the Premier Badminton League.

To strengthen relationships with channel partners, the Company intends to organise dealer meets and engagement, widen its digital footprint across social media platforms, develop a proprietary e-commerce facility and invest in digital PR campaigns.

LOGISTICS

In the cement industry, the inflow of resources on the one hand and the dispatch of cement on the other makes logistics a subject of utmost importance, the expense head accounting for nearly ~25-30% of all expenditure within a cement company.

Your Company emphasized a prudent approach to moderate costs and enhance logistical effectiveness. It improved serviceability in the areas of its presence, reduced delivery turnaround time and focused on limiting the average delivery distance to within 300 kms from its plants.

Your Company also enhanced rail deliveries, leveraging competitive railway freights to reduce costs, while penetrating regions quicker and deeper. As a result, the Company increased rail dispatches to ~16% in FY20 compared to ~12% in FY19.

Besides, the Company optimized road-based deliveries through competitive freight negotiation, reverse logistics and increased direct dispatch. The Company also commissioned numerous new warehouses in prime markets to enhance product availability. It leveraged analytics to strengthen network optimization, which enhanced efficiencies.

Your Company is developing a platform to digitalize delivery acknowledgement and delivery proof, eliminating challenges faced by transporters and customers. The Company capitalized on changes in the axle load regulation to reduce road freights. The Company increased the roll-out of GPS-enabled trucks, increasing direct dispatches, while strengthening optimizer tools and vendor collaboration platforms. The result was that the Company's order execution time emerged as one of the best in the industry.

PROCUREMENT

In a business where 100 per cent of the Company's overall material and fuel consumption (excluding limestone) is procured from external suppliers, there is a need to enhance procurement quality and efficiency, making prudent resource procurement critical.

Over the years, your Company has entered into stable long-term contracts with select vendor partners for access to fuel and raw material, enhancing resource security on the one hand while enabling the Company to procure from wider markets to capture external cost arbitrage opportunities.

A growing generation and use of renewable, non-coal based energy sources in the country affected fly ash availability. The Company focused on the development of alternative resources and secured access to new sources. Even as mining bans by state governments affected the Company's access to bauxite, the Company contracted large volumes at a discount across extended periods.

During the year under review, the Company commenced independent third-party quality sampling. It moderated fuel costs through purchases in the international market. It enhanced fuel flexibility to moderate exposure to expensive fuels and capitalize on cheaper alternatives.

The Company utilized multi-modal transportation modes for access to domestic pet coke, which optimised delivered costs to plants. It used SAP ARIBA procurement software to increase procurement transparency and enhance savings. By awarding all inward transportation and MRO contracts through SAP ARIBA, the Company moderated its costs appreciably. The use of alternative fuel sources enhanced asset utilization and cost optimization.

The Company maintained desired inventory levels, higher during the first and second quarter to counter monsoon-induced supply variations but moderated during the third and fourth quarters. It increased its dependence on rail transportation for inbound material movement during the year under review, improving delivery turnaround. Going forward, as international fuel prices stay depressed, a window of opportunity for cost arbitrage could emerge. Raw material prices are expected to remain benign. Despite the outbreak of the novel coronavirus and its impact on suppliers and domestic supply chains, the Company is optimistic of addressing raw material requirements on account of enduring and diversified supplier relationships.

SUSTAINABILITY

Environment: The cement industry accounts for ~8% of global carbon emissions, second only to the fossil-based energy sector. The cement industry is energy-intensive, and consumes diverse non-renewable natural resources. This reality has only enhanced a consumer preference for 'green' cement, putting a premium on environmentally-conscious manufacturer.

In view of this, your Company has prioritised environmental sustainability across its operations. The Company is a member of the Global Cement and Concrete Association (GCCA), committed to be at the forefront of sustainable movement. Your Company is one of most responsible cement companies, reflected in its accreditation with ISO 14001:2015 (Environment Management System) and ISO 45001:2018 (Occupational Health Safety Management System) certifications.

The Company's state-of-the-art Chittapur manufacturing unit comprises cutting-edge equipment, helping conserve energy. Even though the Company's Devapur and Jalgaon plants are relatively older, equipment and circuits were periodically replaced with energy-efficient alternatives. The Company's sustainable strategy is based on carbon reduction levers like improving energy efficiency, shift to low-carbon fuels, reduction of clinker factor, implementing new technologies and using alternative binding materials. The Company undertook initiatives to reduce electrical and thermal energy, moderating power and heat consumption across five years.

During the year under review, your Company undertook the following initiatives to moderate its carbon footprint:

- Identified and implemented energy conservation initiatives
- Replaced legacy equipment with energy-efficient alternatives
- Optimized the utilization of resources across plants
- Commenced the use of low-grade limestone, wherever advisable
- Reduced specific heat and energy consumption through process optimization

The Company is in advanced discussions to enter into a joint venture with AMP Solar India Pvt. Ltd. to commission a solar energy plant for its grinding unit in Jalgaon, following its decision to freeze investments in fossil-based captive power plants. It intends to reduce carbon emissions ~40% by FY2024 following the increased use of renewable energy, alternative fuels and waste heat recovery. It is committed to embrace a larger number of sustainability initiatives with the objective to address national and global aspirations by 2030.

India's cement sector is expected to play a crucial role in supporting the implementation of national Sustainability Development Goals. The Indian cement sector embarked on the first country-level SDG roadmap initiated by nine Indian cement companies including Orient Cement Limited, convened by the World Business Council for Sustainable Development (WBCSD).

Water consumption (cubic metres per metric tonne)

2016-17	2017-18	2018-19	2019-20
0.134	0.149	0.128	0.168

Water recycled (cubic metres)

2016-17	2017-18	2018-19	2019-20
60704	75040	85849	83676

Non-hazardous waste (metric tonne)

2016-17	2017-18	2018-19	2019-20
16455	19048	22223	17339

SO2 emission trends (metric tonne)

2016-17	2017-18	2018-19	2019-20
1311.93	1847.69	1473.13	931.86

NOx emission trends (metric tonne)

2016-17	2017-18	2018-19	2019-20
4888.65	6199.52	5200.98	1809.33

Number of trees/saplings planted

2016-17	2017-18	2018-19	2019-20
59322	26288	38180	49071

Health and safety: Your Company is convinced that the index of its success is enhanced safety across its manufacturing facilities. Over the years, the Company invested in state-of-the-art safety management systems and CCTV system across manufacturing plants supporting its comprehensive health and safety policy. The Company's impeccable safety record has been driven by safety committees across operational sites that ensure complete compliance.

During the year under review, your Company conducted classroom and on-the-job training for workmen covering monthly safety themes, road safety, awareness and behavior-based safety training. The Company conducted annual medical check-ups and provided medical treatment. The Company recorded zero accidents through the year and intends to implement digitization and video analytics to maintain its safety record.

HUMAN RESOURCES

In a business marked by volatile market conditions, specialized knowledge and emerging technologies, there is a premium on the need to recruit, train, develop and retain the best professionals. Over the years your Company strengthened its human capital through structured recruitment, skill building, talent management and career development.

As a result of the numerous engagement and trust building initiatives over the recent years, your Company has recently been certified a "Great Place to Work" based on a Company-wide survey conducted in March' 2020.

The Company has prioritized the personal development of its employees and the creation of a future-ready leadership team. The Company's talent management system identified high-potential employees, charted career paths, and developed the hi-pots through customized training. This helped the Company strengthen its internal talent pool and reduce its dependence on external recruitment. Besides, most HR processes and practices were digitized making them more efficient and user-friendly, enhancing employee engagement. The average employee age of 37 years represents a mix of experienced and young professionals.

The Company promoted gender diversity, as a result of which the percentage of women employees stood at ~4%. Nearly 15% of the senior management positions were occupied by women towards the end of the last financial year. The Company plans to increase the percentage of women employees to ~20% by 2023.

During the year under review, your Company undertook the following HR initiatives:

LEAP: The Company collaborated with Great Place To Work (GPTW) Institute with the objective to implement the best HR practices and bring about cultural transformation. LEAP is a rigorous development programme spanning 6 months, for seasoned experienced managers, to help them strengthen performance, trust and engagement within their teams. The Company already has 56 certified members, practicing the improved skills with their teams across functions.

Sammridhi: This platform strengthened a collaborative work culture wherein the HR team remained engaged with zonal offices, teams and dealers for a better regional market understanding. Employee engagement through this platform enabled the Company to strengthen relationships that enhanced sales engagement, team building and growth. Similarly, at Plants "People – Connect" initiative with similar concept is well established.

Talent Management Process: "Orient Khoj" our talent management process ensured a consistent availability of right people resources to help the Company's future-readiness. The result is timely succession plans, career paths and customised training for the identified talent pool.

Nava Vasantham: This behavioral programme addresses different cultural and behavioral issues of workmen covering softer training needs and ethical requirements.

Programme for workmen: Regular skill building programmes were conducted for employees drawn from villages in the proximity of the Company's plants, strengthening their fitment and development.

Revamped onboarding and induction: The Company strengthened people onboarding through a revamped process, with immersion into the Company's culture & values, sessions on products and services, plant-level induction and introduction to team members and senior leadership.

New Hands Meet: This platform ensured a smooth transition of new recruits into the Company through an introductory meeting with leaders, helping establish engagement, mutual respect and self-esteem.

Fit for Future: The Company's Fit for Future programme focuses on transformation within the sales team.

Going forward, the new HR focus has to be on addressing challenges arising out of the outbreak of the novel coronavirus, the emerging 'normal' of having to work from home, keeping the people engaged even as they don't interact in a physical office environment as hitherto, retaining employees, working on career paths and providing customised learning.

The Company's employee strength stood at 1250 as on 31st March, 2020.

RISK MANAGEMENT

Over the years, the Company has been strengthening its risk management processes with the objective of enhancing organisational stability and predictability.

Economic risk: Slowdown of the economy could have an adverse effect on the revenues of the Company.

Mitigation: Continuous tracking of the economic and social parameters (including the novel coronavirus), proactively responding with strategies to minimise business impact.

Credit risk: Delays in payments from customers and channel partners could disrupt cash flows.

Mitigation: The outbreak of the novel coronavirus could have an adverse effect on the customers and channel partners and their cash flows and financial health. Keeping this in mind, the Company has taken special timely initiatives to augment collections.

Procurement risk: Low resource quality or reduced availability could impact operations and profitability.

Mitigation: The Company introduced third-party quality sampling with penalties in case of any quality deviations. The Company is constantly exploring the use of alternative fuels to moderate operating costs. Challenges related to inconsistent fly ash availability were mitigated with alternative options (including bed fly ash and pond fly ash access). Erratic coal supply could increase production costs, which was mitigated through extensive engagement with coal suppliers and independent sampling to ensure sufficient availability of appropriate quality.

Competition risk: Increasing competition could affect the Company's market share.

Mitigation: The Company invested extensively to enhance the brand recall of Birla A1 brand with a greater emphasis on quality, cost, timely delivery, customer service, advertising and brand promotion, while strengthening institutional customer relationships. The Company maintained its brand visibility through dealer and retailer boards, in-shop branding, Company-owned hoardings, shop wall paintings and table-top gift items.

Health and safety risk: The labour-intensive cement industry is vulnerable to health and injury risks arising out of accidents.

Mitigation: The Company has a strict health and safety policy with safety committees across all operational sites to ensure that all safety measures are followed. The Company conducts safety training sessions, including virtual reality safety sessions to ensure that all employees are equipped with the required knowledge. As a result, the Company reported zero accidents during the course of the year under review.

Human resources risk: Inability to retain employees could affect performance.

Mitigation: The Company strengthened its people practices through increased employee engagement, training and a talent management framework to attract and retain talent, identify high-performers and develop a leadership pipeline.

CORPORATE SOCIAL RESPONSIBILITY

The Company believes that it is the responsibility of every responsible organisation to stay engaged with the communities around our establishments and invest in the society well-being and social infrastructure. Through corporate social responsibility initiatives, the Company seeks to create a symbiotic relationship with communities, playing a significant role in their social and economic development. Your Company aligned CSR activities with business imperatives, focusing on healthcare, sanitation, education, infrastructure development, safe drinking water supply and sustainable livelihood creation in and around the areas of its operations. During the year under review, the Company invested ₹4.95 crore in CSR activities, accounting for 3.6% of profit before tax. All activities suggested by the CSR Committee were executed in time and assessed for outcomes.

Education: The Company runs a high school at its site at Devapur, providing quality education in English and Telugu. Beyond providing education to children of employees, it also provides quality education to local children from the nearby villages to give them a chance for better employability and social mobility. Besides, the Company assists Government schools and colleges in Mancherial in various ways. The Company established an English-medium CBSE-board school in Chittapur (260 students enrolled). The Company distributed free books and resources to underprivileged students and provided scholarships to the deserving. The Company provided 14 nos. computers to zilla parishad schools in Nashirabad and Jalgaon Khurd to facilitate computer literacy and on-line education.

Health and sanitation: The Company organised various health check-up camps in the vicinity of its plants, benefitting more than 2000+ people. It operates two dispensaries comprising 4 doctors and extended medical assistance to more than 39000 people across all locations in 2019-20. The Company also provided free ambulance service to patients in neighboring villages. It conducted health awareness campaigns, educating rural people in preventive health measures.

The Company is committed to eliminate open-defecation in and around the areas of its operations. It built 8 toilet blocks in Nashirabad and Jalgaon Khurd and conducted campaigns to enhance awareness of related risks.

Women empowerment: The Company makes sincere endeavours to promote gender-diversity. It organized women's literacy programmes in villages skirting the Chittapur plant comprising general education, financial skills and computer knowledge. These programmes countered long-standing rural myths related to women's education and employment.

Rural prosperity: The Company invested in rural infrastructure (rainwater harvesting structures, gabion structure, road construction, underground bandharas, dhyan kendra, sub-surface water dikes and sewage treatment plants). It conducted vocational training for rural youth and farmer training on plantations and drip irrigation. The Company enhanced awareness of education benefits across the rural people. It assisted Vanavasi Kalyan Parishad, Bellampally, to ensure that tribal student interests were addressed.

To address the novel coronavirus risks, the Company is engaged with marginalized stakeholders and local residents, understanding and addressing their concerns.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In line with the business requirements, scale of operations and applicable statutes, your Company has implemented necessary internal control systems to ensure that business is conducted in an efficient and orderly manner. The systems include a well-defined organisational structure, IT and ERP systems, delegation of authority (DOA), structured policies and procedures and segregation of key roles and responsibilities (SOD), along with a robust internal audit and controls framework.

Your Company strengthened internal financial controls and systems for the safeguarding of assets, prevention and detection of frauds and errors, accuracy of accounting records and timely Management Information System (MIS) to adhere to the Company's policies. The Company's structured governance, risk and compliance framework has matured. The Company's risk-based audit approach is focused on the Company's objectives and impediments to achieve objectives, with an emphasis on added value. The Company's Internal Financial Controls (IFC) framework and quarterly IFC assessments are carried out using the Controls Self-Assessment Tool, along with external assessments by audit partners. Half-yearly risk and mitigation assessment is reported using the Saksham ERM Tool. In addition, the Company's whistle-blower policy actively encourages reporting of any incidents of concern and investigates all allegations of violations in a comprehensive manner. Appropriate recommendations are followed up for rigorous implementation and all cases are reported to the Audit Committee of the Board.

The Company continually seeks to strengthen its internal control systems; it selected KPMG as its new internal audit partner. The Company introduced CCM (continuous control monitoring), wherein data analytics is targeted towards a specific area and the program is periodically run to detect exceptions. Various CCM scripts were shortlisted in the areas of capital expenditure, inventory, procurement, logistics, human resources and sales and plant operations. These initiatives were conducted quarterly to detect exceptions and inconsistencies, providing the Company insights in outbound truck turnaround time, delays in clearing stock, vendor identification with different payment terms, dealing with different classes of items, procurement of materials, delays in capitalization and duplicate record elimination. The Company instituted auto-checks in its ERP systems to trigger real-time alerts, notifying discrepancies. Customized Management Information System and dashboards were designed to provide comprehensive data analytics covering all areas. The Company's comprehensive fraud risk framework helped detect and prevent fraudulent activities. The Company seeks to build strong processes and controls, integrating prevention, detection and response.

Looking ahead, your Company will strengthen its Continuous Control Monitoring (CCM) system and leverage data analytics and automation in audit procedures, by extending them to other areas. We see an increasing incidence in fraudulent activities and cyber-attacks following the outbreak of the novel coronavirus. The Company will place emphasis on fraud vulnerability assessments and cyber security reviews to eliminate this threat. The Company will increase stakeholder awareness of governance, risk and compliance through training, workshops and culture-building.

CAUTIONARY STATEMENT

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward–looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events.