

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Management Discussion and Analysis Report covering performance and outlook is given below:

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian lighting industry was witnessing strong growth. The replacement of basic and inefficient incandescent, halogen, fluorescent lamps with modern LED lights will reduce electricity consumption. However, due to the outbreak of COVID-19 not only the LED and Solar Industries but every sector of the global economy has suffered significant setback during the last quarter of the financial year. At the same time, the global pandemic led to a never expected growth in disinfection and sanitization sector. The Company did not let go of the opportunities coming its way and ventured into UV-C Disinfectant market considering it to be the need of the hour.



The global **UV disinfection equipment market** size is projected to grow from USD 2.9 billion in 2020 to USD 5.3 billion by 2025; it is expected to grow at a CAGR of 12.3% from 2020 to 2025. Key factors fueling the growth of this market include increasing demand for UV disinfection equipment due to threats of infectious diseases, and long life and lower power consumption of LED-based UV disinfection equipment.



With the New Year's, global citizens began to think about their goals and what they want to accomplish in the year to

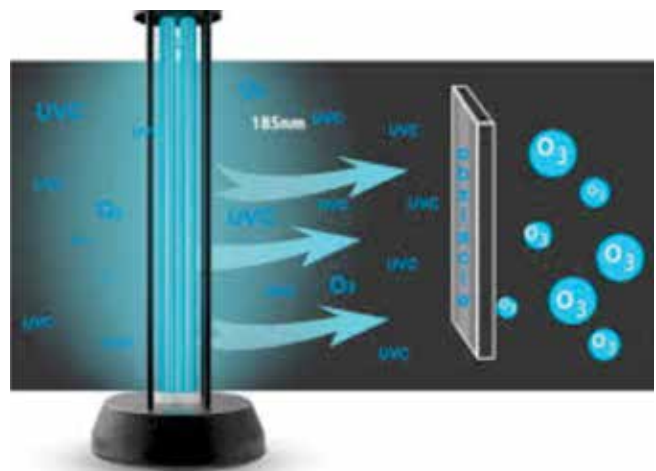
come, many people focus on their finances, while others may be thinking about their health and relationships. However it didn't turned up as planned by many though, it bought up the unforeseen challenge of survival. Amidst the elated mood the Company sensed the crises soon falling on us, the Research and Development team of the Servotech instantaneously struggled to find a solution to come out from this situation and found that with UV-C technology we can ensure our survival.

Ultraviolet germicidal irradiation (UVGI) is a disinfection method that uses short-wavelength ultraviolet (ultraviolet C or UV-C) light to kill or inactivate microorganisms by destroying nucleic acids and disrupting their DNA, leaving them unable to perform vital cellular functions. It is used in a variety of applications, such as food, air, and water purification.

UV-C light is weak at the Earth's surface since the ozone layer of the atmosphere blocks it. UV devices can produce strong enough UV-C light in circulating air or water systems to make them inhospitable environments to microorganisms such as bacteria, viruses, molds, and other pathogens.

The application of UV-C to disinfection has been an accepted practice since the mid-20th century. It has been used primarily in medical sanitation and sterile work facilities. Increasingly, it has found renewed application in air purifiers.

It was found that UVGI can be used to disinfect air with prolonged exposure. In the 1930s and 40s, an experiment in public schools in Philadelphia showed that upper-room ultraviolet fixtures could significantly reduce the transmission of measles among students. In 2020, UV-C is again being researched as a possible countermeasure against the COVID-19 pandemic.



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Servotech, on the basis of the findings, launched its innovative game changing product Virus killing UV light with the motive to help the population in the hard times.

PRODUCT WISE PERFORMANCE

Servotech Power Systems Limited always strives to contribute for the betterment of the world we live in by providing high-quality product at affordable prices. The was in the business of manufacturing and installation of the Solar products and the industrial LED lights during the initial years and is well known in the field of Power and back-up industry. The Company manufactures a wide range of environment friendly products namely LED tube light, street light, flood light, canopy light, panel lights, bay lights, yard lights and solar products such as home lights, solar street lights, solar power plant/panel, solar pumping system and lithium batteries.

The Company recently ventured into UV Disinfectant segment wherein it introduced a series of various disinfectant products namely UV Disinfection Lamp, UV Disinfection Handheld, UV Disinfection Truck, Sterilization Box, UVC RoboTruk and UVLEN based on far UVC technology.

Brief glimpses of the some of the products of the Company are as mentioned below:

1. UV-C DISINFECTANTS

This UV-C sanitizer technology can be used to thoroughly clean household surfaces and gadgets of harmful bacteria and viruses as it destroys the DNA of bacteria and viruses. Considering this, we have launched 6 (six) disinfectant products the details are as mentioned hereunder:



- ❖ **UV DISINFECTION LAMP:** ServControl disinfection lamp comes with in-built sensor which automatically turns off if comes in contact with any human or pet and turns on using smart senses.
- ❖ **UV DISINFECTION HANDHELD:** ServControl UVC handheld is portable and easy to use as this is rechargeable, USB powered. It is a perfect disinfectant during holiday or any business trip.
- ❖ **UV DISINFECTION TRUCK:** ServControl UV disinfectant truck is built with the universal wheels to move around the zone to be disinfected. The device comes with a user-friendly remote control with options ranging from start to stop and to set the timer.
- ❖ **STERILIZATION BOX:** ServControl UV-C Sanitizer Box makes it possible to destroy more than 99.9 percent of bacteria and viruses with multifunctional wireless charger abound without the use of chemicals, not causing secondary pollution, thus protecting your family with the innovation.
- ❖ **UVC ROBOTRUK:** UVC RoboTruk, a sterilization lamp for big spaces with radar induction for human safety. It has a wireless remote control for you to operate the trunk from a safe distance, with 30 secs auto-delay.
- ❖ **UVLEN:** UVLEN sanitizes the surface in few seconds by simply pointing it at your hands, utilizing your smartphone flashlight combined with the Mobile App. With this technology Ultraviolet Germicidal Irradiation coat + Diffraction Grating splitting white beams combined with a dichroic mirror filter built with Fused Silica Amorphous; let certain colors of light through while reflecting others.

2. SOLAR LIGHTING SEGMENT

The Indian government had an initial target of 20 GW capacity for 2022, which was achieved four years ahead of schedule. In 2015 the target was raised to 100 GW of solar capacity (including 40 GW from rooftop solar) by 2022, targeting an investment of US\$100 billion. India has established nearly 42 solar parks to make land available



to the promoters of solar plants. In the decade ending 31st March, 2020, India's installed solar power capacity stood at 34,627 MW.

Rooftop solar power accounts for 2.1 GW, of which 70% is industrial or commercial. In addition to its large-scale grid-connected solar photovoltaic (PV) initiative, India is developing off-grid solar power for local energy needs. Solar products have increasingly helped to meet rural needs;

The Company is engaged in the various projects wherein the Company has successfully installed solar panels for charging of batteries and PV ports. In addition, the Company is pioneer in manufacturing of solar invertors.

- ❖ **SOLAR HOME LIGHTING SYSTEM:** This system produces an enormous amount of energy from the sun and without any kind of pollution or other toxic wastes linked with fossil fuels. They require minimal amount of maintenance and once installed, they last for years and years.
- ❖ **INTEGRATED SOLAR STREET LIGHT:** It comes intelligent sensor control system, which helps in charging the battery. Intelligent control regulates the brightness depending on the PIR sensor and ensures that it gives light throughout the night.
- ❖ **PV PORT:** It is a standardized, portable, mass produced 2 KWP PV system with electrical storage for residential applications (UPS and AC load). The electrical storage vary in capacity depending upon the application - ranging from 1 kWh lead-acid to 4.8 kWh Li-ion batteries.

3. LED SEGMENT:

SAARA LED flood lights are environmentally friendly and provide an artistic lighting effects experience and have manifold benefits to the customers.

- ❖ **LED STREET LIGHTS:** SAARA LEDs is featured with higher light uniformity, improved colour rendering and high colour temperature, allowing for wider coverage, can reduce the wattage of fixtures required in many outdoor applications. This significantly reduces the cost of energy, and allows for lower cost of ownership over the life of the system.
- ❖ **CANOPY LIGHT:** SAARA Canopy Light retrofit kits use the existing metal halide light fixture canopy mounting - no need to disrupt canopy seals during installation, eliminating potential roof leaks common with other canopy light retrofit procedures. It also provide all of the advantages of LED-based lighting versus metal halide lamps - much longer life, 70% less energy consumption and much better lighting characteristics - brighter light focused on fuel pump areas.

- ❖ **FLOOD LIGHT:** SAARA LED flood lights have low heat production and they don't contain any harmful elements like mercury or lead in them like traditional incandescent bulbs. These lights are energy efficient than traditional fluorescent and incandescent lights. The performance of these lights can be more than 85 lumen per watt of power utilized.
- ❖ **HIGHBAY LIGHT:** Large indoor space like manufacturing facilities, gymnasiums, warehouses, large department stores, factories, and more requires powerful lighting to provide the appropriate foot-candle levels to adequately illuminate, high bay lighting is usually appropriate.

STRENGTH

Our established record of operations and transparency in dealing with business partners is a core strength that helps us in developing new partnerships for tackling changes in the market. At the same time, product innovation focus keeps us abreast with emerging technologies nearing commercialisation stage. We look to use information technology as a major enabler for business. In addition to helping us focus our actions for growth, the data captured across the value chain helps raise for creating win-win situations for the organization, business partners and employees.

➤ **Competitive Strengths**

- Experienced management and technical team
- Strong track record and financial stability
- Quality assurance
- Diversified and large customer base
- Domestic demand augurs well for the Company

➤ **Business Strategy**

- Continue to grow the overall market share by leveraging our presence in existing business verticals
- Expansion plan and diversification
- Competitive pricing
- Enhancing customer base
- Investing in advanced technology

➤ **Overall business strategy shall be to**

- Maximize revenue through capacity expansion, diversification and increase in efficiency
- Reduction in cost of borrowing
- Enhancing production efficiency and minimize process losses
- Reduce operational costs and be cost competitive
- Have a consumer centric approach
- Deliver value for money to customers
- Adopt best practices in all functions and processes.

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OPPORTUNITIES AND THREATS

LED is a reliable and energy-efficient source of lighting. LED lighting products have gained a prominent spot in the Indian lighting market, owing to their numerous benefits over older lighting technology. As the demand for a smart, connected lifestyle and energy-efficient products is increasing, the Indian LED lighting industry is also registering strong growth and is expected to grow tremendously even over the long term. The requirement of huge working capital for operating in the industry that is met by taking Guarantees (minimum term of 5 years) resulting in the increase of Long Term Liabilities/Contingent liabilities day by day. The Banks are unable to cater the requirements and match with the pace with which the orders/market demand for our product are increasing. To overcome the threats faced, our Company is planning to further introduce new range of our products as per in line with growing demands of market.

The Company is centrally based in New Delhi with its plant located in Kundli Haryana, which gives a distinct locational advantage. The Company do direct sales to all the customers which means quicker deliveries and owning complete responsibility of our products.

With over 4 decades of experience, the Company has developed in depth ability to understand process related problems and fine tuning of the products to suit customer needs, which has carved a niche for the Company among all the customers.

RISKS AND CHALLENGES

The Company's ability to foresee and manage business risks is crucial in its efforts to achieve favourable results. While management is positive about the Company's long term outlook, it is subject to a few risks and uncertainties, as discussed below.

➤ Economic Risk

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, foreign exchange fluctuations, customers credit availability, fluctuations in commodities markets, customers debt levels, unemployment trends and other matters that influence customers confidence and spending. As your Company recently entered into domestic retail market, its revenues are highly dependent on customer's need for retail lightings solutions; an economic slowdown or other factors that affect the economic health of the nation or those retail industries, or any other impact on the growth of such industries, may affect your business.

➤ Liability Risk

This risk refers to our liability arising from any damage to technology, equipment, office premises, life and third

parties which may adversely affect our business. The Company attempts to mitigate this risk through contractual obligations and insurance policies.

➤ Regulatory Risk

As your Company majorly deals in PSUs tenders, therefore if we are unable to obtain required approvals and licenses in a timely manner, our business and operations may be adversely affected. We require certain approvals, licenses, registrations and permissions for planting business operations in new locations. We may encounter delays in obtaining these requisite approvals, or may not be able to obtain such approvals at all, which may have an adverse effect on our revenues. However, the Government has come up with various scheme MSME sector and as all industry predictions suggest that this will be the trend in the future as well and given our own experience in obtaining such permissions, we do not expect this risk to affect us materially in the coming years.

➤ Labour risk

The timely availability of skilled and technical personnel is one of the key industry challenges.

The Company maintains healthy and motivating work environment through various measures.

This has helped it recruit and retain skilled workforce and, in turn, achieve targets in time.

FINANCIAL ANALYSIS

The Financial Performance with respect to operational performance of the Company is discussed in the Directors' Report which forms part of the Annual Report.

HUMAN RESOURCES

Your Company has undertaken employee's development initiatives, which have very positive impact on the morale and team spirit of the employees. The Company has continued to give special attention to human resources and overall development. The company has also recruited highly qualified and skilled professionals, to help in the growth and functioning of the company. Your management feels proud to state that there were no instances of strikes, lockouts or any other action on part of the employees that affected the functioning of the Company. It is noteworthy that there is no Employee Union within the organization.

INTERNAL CONTROL SYSTEMS

Servotech maintains adequate internal control systems including internal financial control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material aspects. This system also protects

against significant misuse or loss of Company assets. SPSL has a strong and independent internal audit function. The Internal Auditor reports directly to the Chairman of the Audit Committee.

Periodic audits by the professionally qualified, technical and financial personnel of the internal audit function ensure that the Company's internal control systems are adequate and are complied with.

CAUTIONARY STATEMENT

The statements in the 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning applicable to securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand or supply and price conditions in the domestic and overseas markets, changes in the Government regulations, tax laws and other statutes and other incidental factors.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Servotech continues to emphasize on capability building, keeping the future in mind. The Company has made rigorous efforts to ensure that employees can handle challenges of the future, while staying abreast with the knowledge in relation to

their respective functional domain. It also focuses on providing opportunities to each employee to grow and utilise their complete potential.

Servotech believes in inspiring the employees to their highest potential and engaging them in cultural and festive activities. In FY 19-20, there were countless engagement activities on occasions of Diwali, Independence Day, Navratri, Women's day and Christmas Celebration, Month End Celebrations to name a few. Recognition and appreciation at the workplace go a long way in motivating the employees to work even harder and better.

Our Company values its relationship with its employees and ensures that each employee feels connected to the Company's objectives and shares the Company's broader vision to create stakeholders' value. Our Human Resource Team, guided by the Top Management relentlessly undertakes various people-centric activities to keep all our employees engaged and provide them with suitable opportunities.

DISCLOSURE OF ACCOUNTING TREATMENT

The Company has followed all the treatments in the Financial Statements as per the prescribed Accounting Standards.

