

ANNEXURE - V

Management Discussion and Analysis

1.0 Market Analysis:

1.1 Wind Industry:

During 2018 global wind installations were flat with 51.3 GW of annual installations lead by China 21.2 GW and USA 7.6 GW.

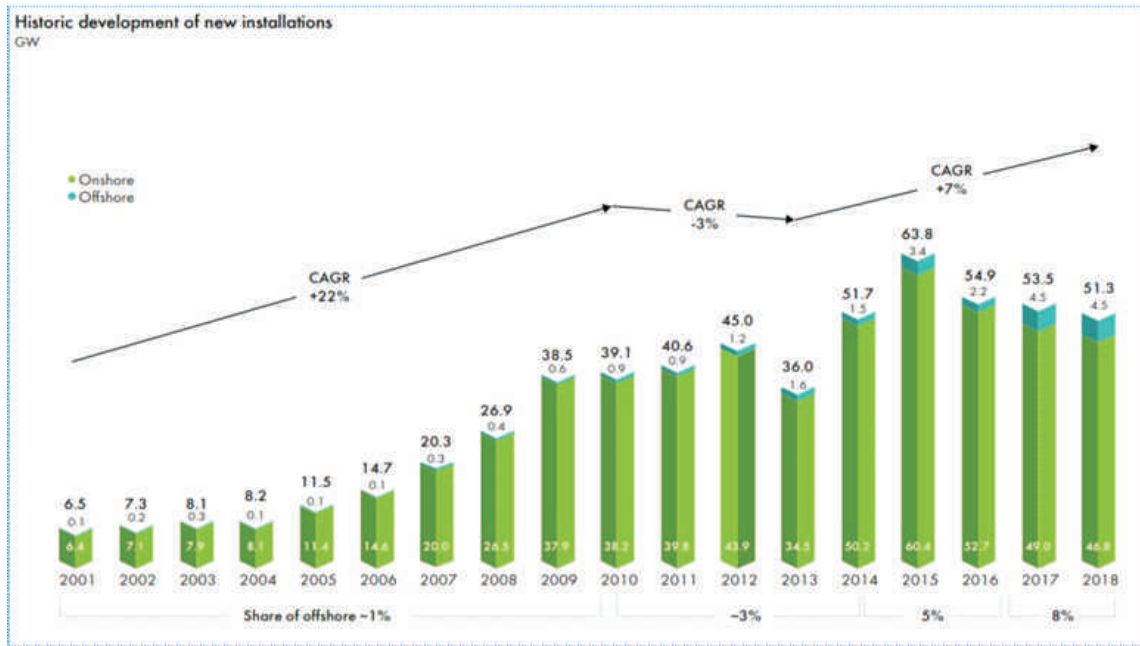


Figure 1 : Global Annual Wind Installations (Source GWEC)

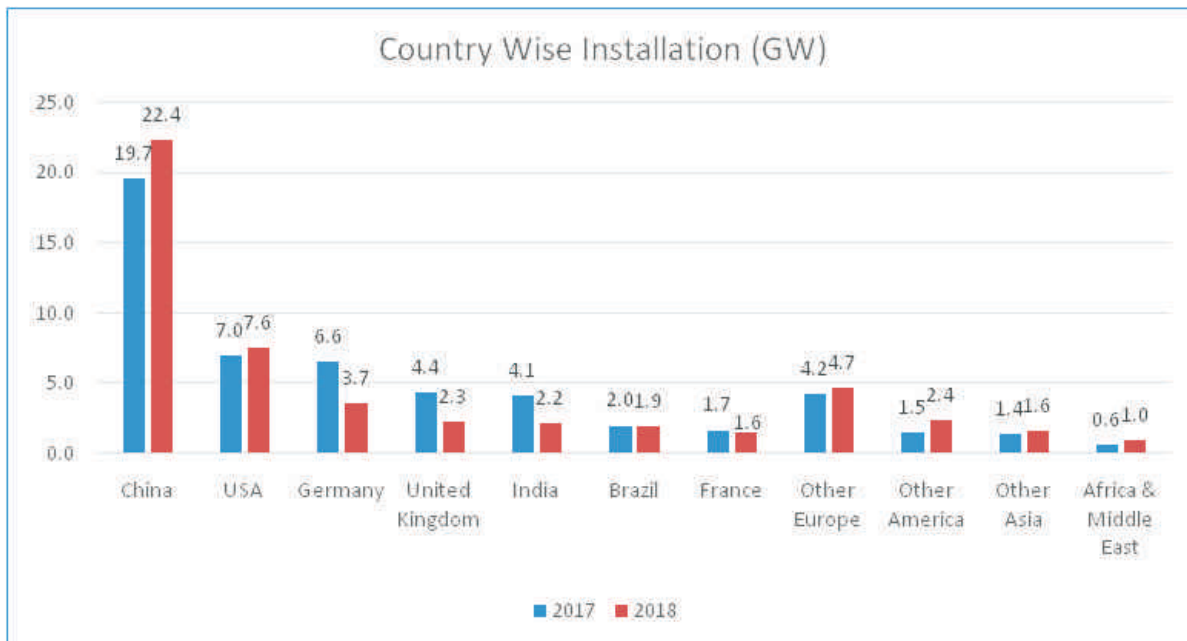


Figure 2: Country Wise Annual Wind Installations (Source GWEC)

During 2018-19 Indian wind installations have improved from 1762 MW to 2579 MW. However, these installations are still lesser than industry target of over 5000 MW due to various challenges being faced by the domestic market.

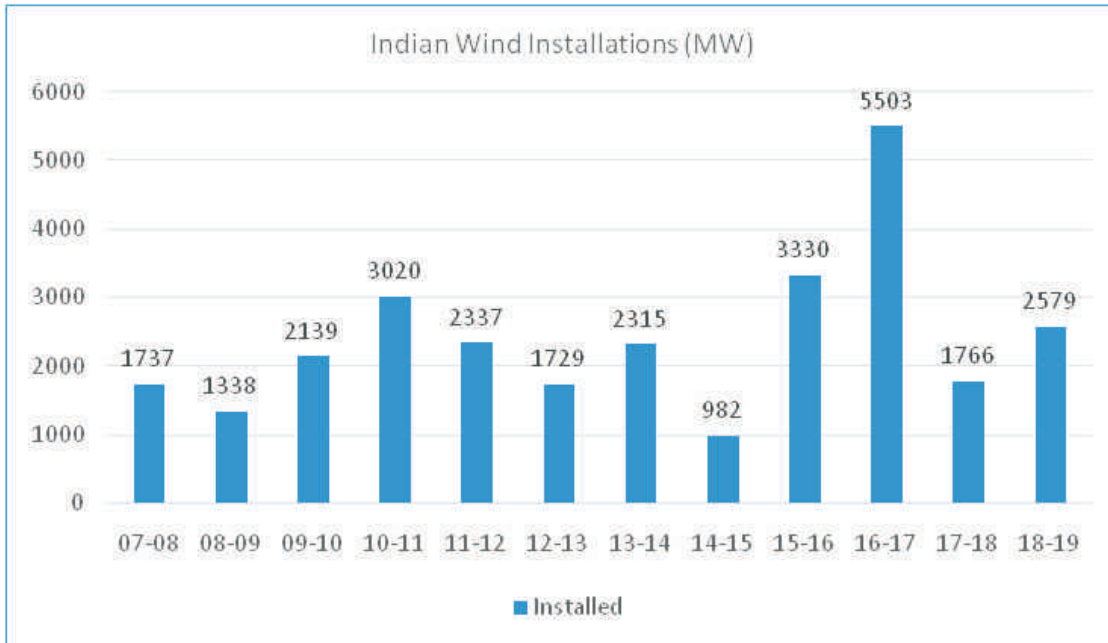


figure 3: Annual Wind Turbine Installations during last 12 years in India

LOCE

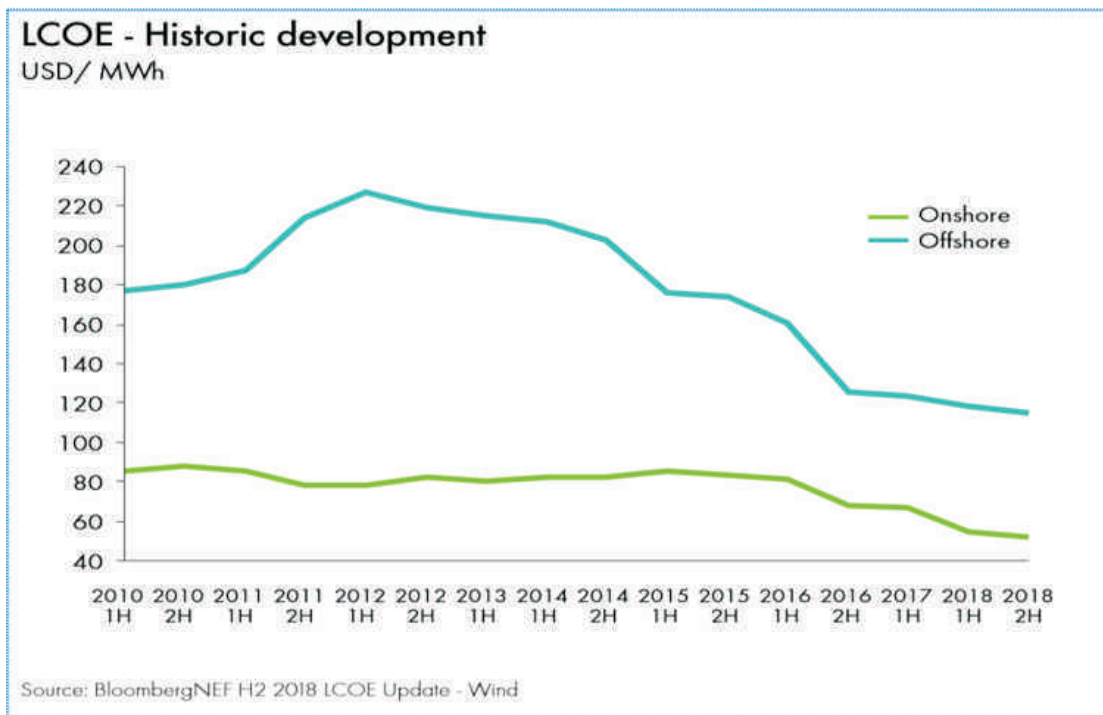


figure 4: Annual Wind Turbine Installations during last 12 years in India

The wind industry has been able to prove its increasing maturity, cost competitiveness and efficiency by relying on one of the most important measures in the energy industry – Levelised Cost of Electricity (LCOE). During last five years this LCOE for wind industry has improved by >30%. This competitiveness is going to ensure increasing demand for the industry.

Following is the forecast for next five years with a growth rate of 2.7%. During this period offshore contribution expected to move from 9% to 17%.

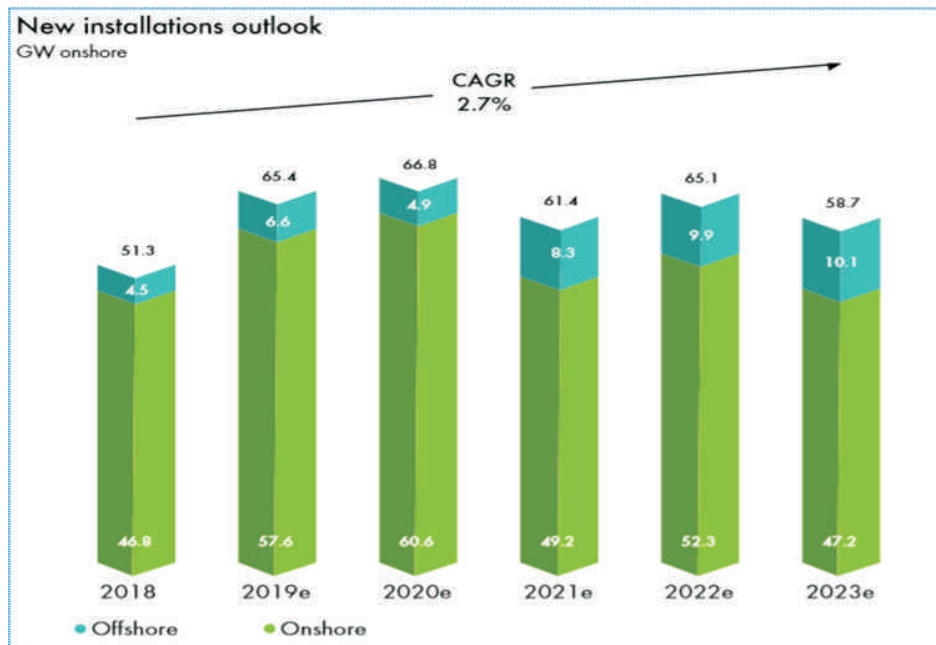


figure 5 : Global Wind Installations Outlook 2019-23

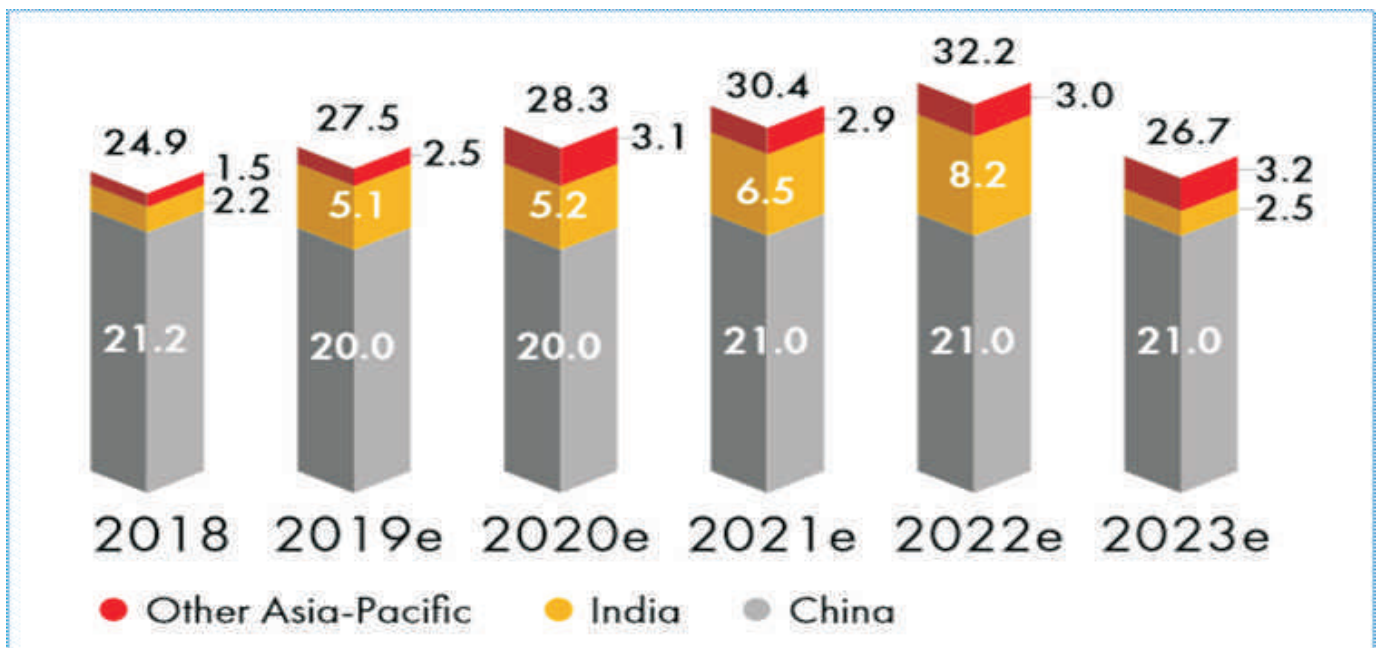


figure 6: Asia Pacific Installations Outlook 2019-23

As per GWEC, India is likely to cross 8 GW of installations by the year 2022. Company has got decent growth opportunities during next 3 to 5 years with following favourable conditions

- a. Established as one of the leading wind turbine casting manufacturers in the country with supplies to all global wind turbine manufacturers in the world.
- b. Global wind installations are stable for next 5 years. Trade war between USA & China will be resulting in partial diversion of global casting demand towards India.
- c. Considering India and global demand, there is great opportunity for the company to grow over 30% CAGR for next 5 years.

1.2 Non-Wind Industry:

Apart from Wind Turbine Industry, company is also producing castings to Mining, Pumps & Plastic Injection parts. Looking at India's growth story, these industries are also offering huge growth opportunities for large castings.

During FY 2018-19, Non-wind segment contributed 18% of revenue and expected to grow in same proportion to business growth.

2.0 Performance Analysis:

2.1 Sales Revenue:

Following are the Sales revenues figures in Rs Crore for last five years of operations.

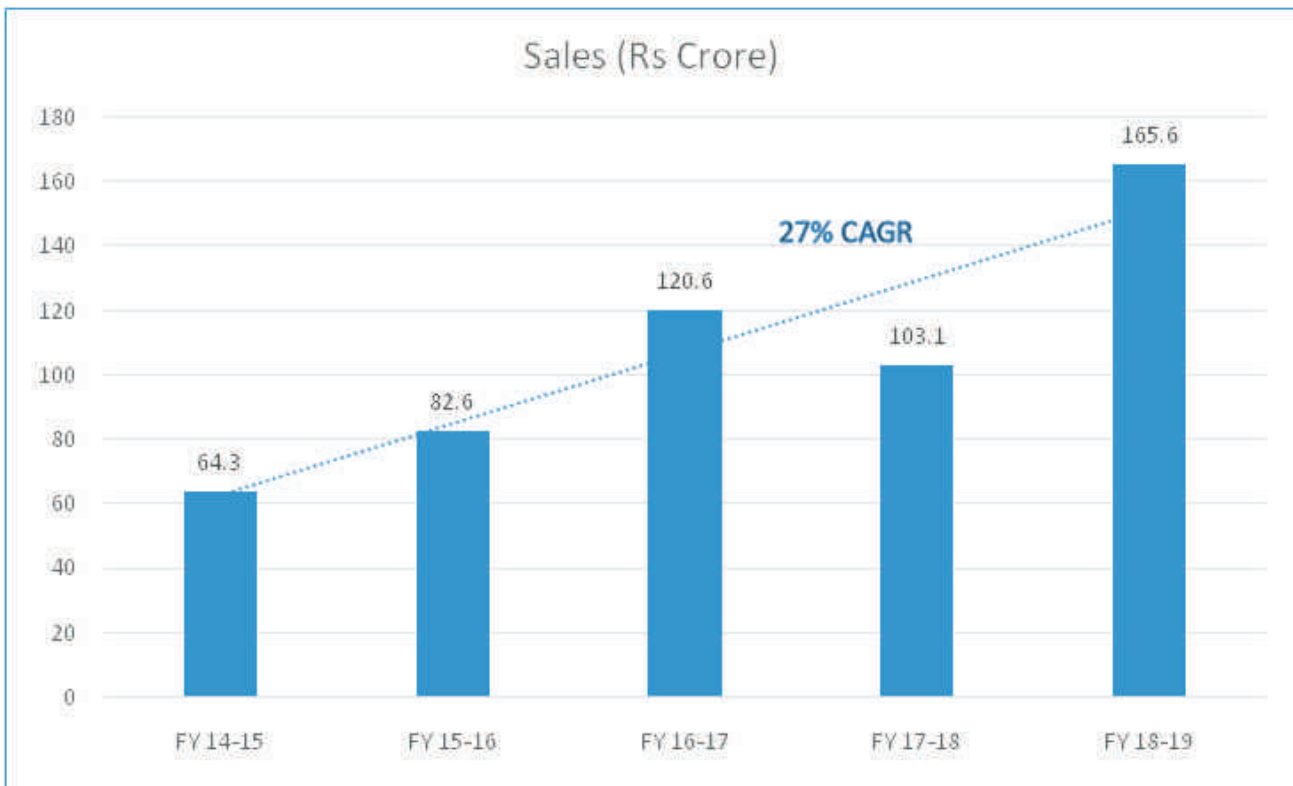


figure 7: Sales Revenue figures in Rs Crores

During the year, Sales Revenues grown by 61% from Rs 103.1 Crores to Rs 165.6 Crores. This growth was driven by all major customers like M/S Vestas Wind (62%), M/S ZF Wind Gear Box (74%) and M/S Terex Equipment (78%). These customers demand is forecasted to grow in coming year as well.

Company has got product approval from M/S Vestas USA & M/S Terex Equipment UK. These two new markets should take the export business share from present 9% to 15%.

With completion of capacity expansion during FY 2019-20, company will be able to meet additional demand from M/S Siemens Gamesa parts.

With favourable casting demand and additional capacity being added during FY 2019-20, revenue is projected to grow over 45%.

2.2 Profitability:

Following are the PBDIT figures in Rs Crore for last five years of operations.

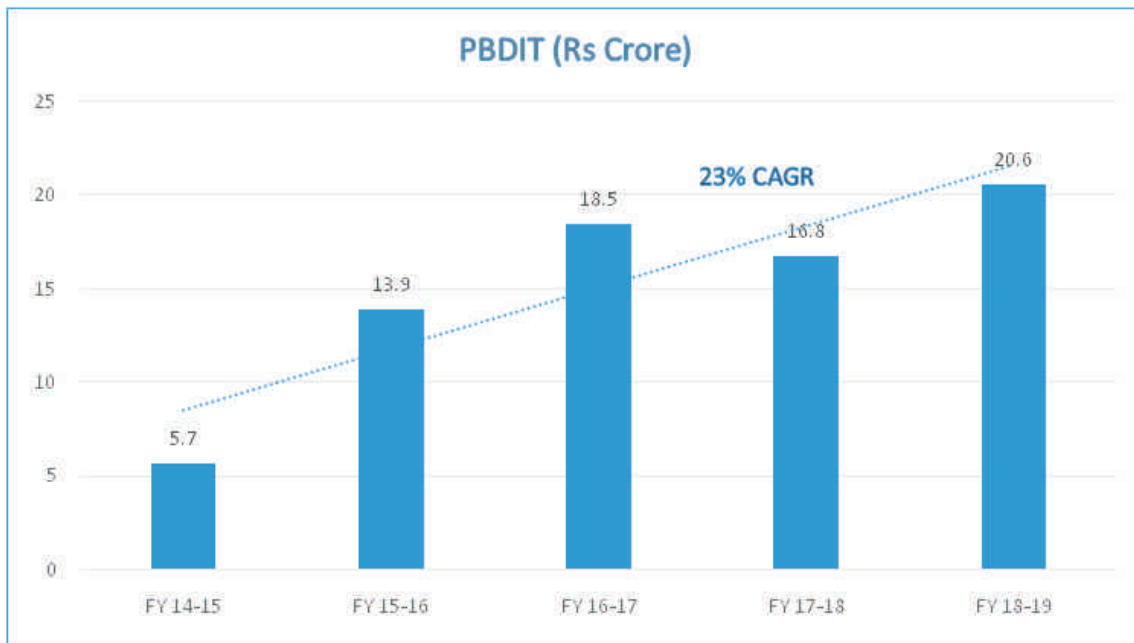


figure 8: PBDIT figures in Rs Crores

Profit margins were under pressure due to significant increase in input prices and may not have major relief during coming year as well. Profit before tax has grown from Rs 2.91 Crores to Rs 5.15 Crores. During FY 2019-20, profit before tax is projected to grow over 100% supported by decent revenue growth.