

Annexure - C

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company's performance during the year ended 31st March, 2020 and the Management's view on future outlook are detailed below:

A. INDUSTRY STRUCTURE AND DEVELOPMENT

Your Company has five operating Divisions with Cement being the major revenue contributor. The Industry Structure and Developments in respect of each of the Divisions are briefly discussed below:

Cement

Cement is indispensable for building and construction work and cement industry is considered one of the vital constituents of the country's economy. Being a major input along with steel in the construction of houses, roads and other buildings and other infrastructure projects, the fortunes of the cement industry are closely linked with the progress of infrastructure industry. Demand for housing is driven by income growth while infrastructure development largely depends on both state and central government expenditure.

The outlook of the cement industry has been encouraging, given the importance accorded by successive governments to infrastructure and housing. The demand drivers in cement are major initiatives like Housing for All by 2022, Prime Minister's Gram Sadak Yojana, the National Investment and Infrastructure Fund (NIIF). Though the COVID 19 epidemic and the exodus of migrant labour caused a temporary suspension of the construction activity, it is expected that the demand will pick up in the medium and long run.

Ready Mix Concrete (RMC)

RMC is a natural adjunct to the cement industry. Over the past decade, more and more cement manufacturers have been opting for setting up their in-house RMC units as an outlet for their main product of cement, and also to retain and propagate their brand image. RMC is also eco-friendly as it reduces the noise and air pollution because mixing is done in closed chamber as compared to site mix concrete. The relatively low shelf life of RMC – 3 to 5 hours- imposes severe restrictions on the distance between the end user and plant site. In spite of this handicap, RMC industry is likely to witness a steady growth in the next few years.

Boards

Your Company is the only manufacturer of Cement Bonded Particle Boards (CBPB) in the country, marketed under the brand name Bison Panel. Bison Panels are normally used for construction of prefab structures and have been extensively used in the infrastructure and housing sectors. The third Bison Panels unit set up by your Company at Simhapuri has

commenced its operations, and has been performing satisfactorily.

Prefab

As mentioned in the report for the previous year, your company is no more active in the direct retail business of the Prefab structures. There were no operations in the Prefab Division during the year under review. Your Company's quest for identifying a technology partner in this field is continuing.

Hydel Energy (Small Hydro)

In India, hydro projects up to 25 MW station capacities have been categorized as Small Hydro Power (SHP) projects. The estimated **potential** for power generation in the country from such plants is about 20,000 MW. Projects in this segment, in which your company is operating, are normally economically viable. However, the viability is dependent upon the release of water in the reservoirs by the Government. With an installed capacity of 15.75 MW your company is a marginal player in this field.

B OPPORTUNITIES AND THREATS

The continued focus of the Central and State Governments on infrastructure projects offer an ongoing opportunity to cement manufacturers. As already mentioned, the thrust given by the Governments for infrastructure development is a demand driver, and a major opportunity. Recently Housing and Urban Affairs Ministry launched digital platforms of real estate bodies CREDAI and NAREDCO to market residential properties for affordable rental housing scheme for migrants which is a boon to housing industry.

As indicated in the foregoing paragraphs, the setback in demand caused by the effect of COVID 19 pandemic is expected to be temporary. However, since there are no accurate studies on how long the ongoing pandemic will last and its term impact on the life styles and economy on the long run, the uncertainty poses a threat.

Its products being building materials, the Boards Division is also likely to share the opportunities and threats as detailed above. The emergence of alternative and new products to the boards division and the resultant competition continues to be a challenge requiring constant attention. The company is planned to introduce sandwich panel boards as an add on product to bison panel to improve its sales.

Your Company is a relatively small player in the Hydel Energy and RMC segments. As of now these divisions do not constitute a significant part of the company's overall activity.

C SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS AS COMPARED TO THE PREVIOUS YEAR

During the year under review no significant changes in key financial ratios as compared to the previous year. Close monitoring on debtors reduced the debtors' turnover ratio during the year under review. Key Ratios are as under:

S.No	Ratios	2019-20	2018-19	% of Change
1	Inventory Turnover Ratio	9.81	13.88	(29.32)*
2	Interest coverage Ratio	4.64	4.05	14.57
3	Current Ratio	1.00	1.10	10
4	Debt Equity Ratio	0.43	0.48	(10.42)
5	Return on investment (%)	12.00	12.00	Nil
6	Debtors Turnover Ratio	9.13	9.69	5.78
7	Net Profit Margin (%)	3.85	3.19	20.69
8	Operating Profit Margin (%)	7.68	6.37	20.57

*reasons for change, pl. refer performance review in main report.

D. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE.

The performance of the various segments during the period under review is as follows:

Segments	%age contribution to total turnover	Quantity of production	Gross Turnover (₹ Lakhs)	Segment Profit before Interest & Tax (₹ Lakhs)
Cement	83.42	18,70,933 Mt	1,10,291.42	7,900.06
Boards	9.52	73,381 Mt	12,592.45	1,487.41
Energy	0.61	36.80 MU	804.50	475.59
Ready Mix Concrete	6.34	1,91,183 (Cu.Mtrs)	8,384.27	501.48
Ready Made Dorrs Concrete	0.11	916 (Nos)	151.26	(361.67)

E. OUTLOOK

As already stated earlier, the outlook for the cement and building materials industry looks promising medium term despite the uncertainty caused by COVID 19 in the short term.

F. RISKS AND CONCERNS.

Your Company does not perceive any serious risks and concerns apart from the normal business risks connected with the industries in which it operates. The recent outbreak of Covid-19, which led to a country wide lockdown to curtail the spread of the virus, has made a severe challenge and has altered the outlook for the country. Real estate sector in India, which was struggling to re-emerge from the turbulence of structural changes, is now set to witness major fallout. It is a major concern to building material industry.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY.

The Company has proper and adequate systems for internal controls in place. The Company has appointed independent Internal Auditors to conduct the internal audit across all plant locations whose reports are regularly monitored by the management. Statutory Auditors of the company independently examine the adequacy of the internal control procedures commensurate with the size of the company. Both these Auditors attend the Audit Committee Meetings and express their opinion on issues of concern. The Management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business. Emphasis on internal controls prevails across functions and processes covering the entire gamut of activities including finance, supply chain, sales, distribution, marketing etc.

H. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE.

This aspect has been covered in the analysis of the Segment-wise performance in the previous paragraphs.

I. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

The senior management team has been strengthened with the recruitment of additional personnel to provide leadership below the Executive Director level. Systematic training in site operational control and management are imparted regularly to ensure efficient execution. The Company has cordial relations with employees and staff. As on 31st March 2020, the company has 861 employees working in its factories and various offices.

J. CAUTIONARY STATEMENT

Some of the statements made in this Report are forward looking, based on the perceptions and views of the management. The projections or expectations are subject to market uncertainties and vicissitudes. Shareholders and investors are advised to form their own opinion, and management assumes no responsibilities for the variances if any in the actual scenario emerging.