Management Discussion and Analysis

The Management Discussion and Analysis presented in this Annual Report focuses on reviewing the performance of the Company for the financial year (FY) 2017-18, financial statements of which have been prepared in compliance with requirements of the provisions of the Companies Act, 2013 ("Act") read with applicable rules, guidelines issued by the Securities and Exchange Board of India and the Indian Accounting Standards. Our management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state-of-affairs, profits and cash flows for the year.

ECONOMY

The year 2017 witnessed remarkable rebound in global trade led by investment recovery in advanced economies, continued strong growth in emerging Asia, upswing in emerging Europe, and signs of recovery in several commodity exporters. All these factors together led to 3.8% growth in world output, the strongest since 2011.

Advanced Economies (AE) grew 2.3% in 2017 versus 1.7% in 2016 primarily driven by strong pick up in investment spending. Led by strengthening private investment, United States (US) witnessed 2.3% growth in 2017 versus 1.5% in 2016. The Euro area witnessed 2.3% growth in 2017 versus 1.8% in 2016, aided by policy stimulus and strengthening global demand.

Emerging Market and Developing Economies (EMDE) grew 4.8% in 2017 as against 4.4% in 2016 primarily from acceleration in private consumption. Growth in net exports led to robust growth in China. India's growth was led by strong private consumption. Argentina, Brazil, Nigeria and the Russian Federation saw cyclical improvements.

World economic output

	2016	2017E	2018P	2019P
World output	3.2	3.7	3.9	3.9
Advanced economies	1.7	2.3	2.3	2.2
EMDEs	4.4	4.7	4.9	5.0

(Source: IMF)

As per IMF, global growth is expected to pick upto 3.9% both in 2018 and 2019. The pick-up in growth is likely to be aided by strong momentum, favourable market sentiment, accommodative financial conditions, and expansionary fiscal policy in US. The expansionary fiscal policy is expected to drive the US economy above full employment. Growth in EMDEs is expected to continue on strong footing led by emerging Asia and Europe and a modest upswing in commodity exporters.

Though the risks to growth predictions are broadly balanced, some risks that hover growth include increasing US unilateralism in trade, high inflation in US, geopolitical strains, debate on Eurozone reforms, political discord, and climate shocks. A few geopolitical risks include containment of a nuclear North Korea, deepening collaboration between Russia and China, a hard-line US policy against Iran, US-North Korea summit and persistent populism in Latin America.

(Source: IMF World Economic Outlook, April 2018)

On the domestic front, despite the prevailing after effects of demonetisation and the implementation of Goods & Services Tax (GST), India continued to be the fastest growing economy. In FY 2017-18, India's GDP at constant prices is expected to grow by 6.6% as compared to 7.1% in the previous year, as per second advanced estimates issued by the Central Statistics Organisation (CSO). Acceleration in manufacturing, rising corporate sales growth, a pick-up in capacity utilisation, strong activity in the services sector and a record agricultural harvest helped to boost growth.

In the long term, GST is expected to benefit economic activity and fiscal sustainability by reducing the cost of complying with multiple state tax systems, drawing informal activity into the formal sector, and expanding the tax base. The Insolvency and Bankruptcy Code aims at achieving insolvency resolution in a time bound manner. The recent recapitalisation package for public sector banks is aimed at supporting banks to tackle balance sheet related issues, support credit to the private sector, and boost overall investments.

India's Current Account Deficit (CAD) in third quarter of FY 2017-18 grew to 2% of GDP versus 0.7% seen in FY 2016-17.

India's GDP growth rate in % at Constant (FY12) prices

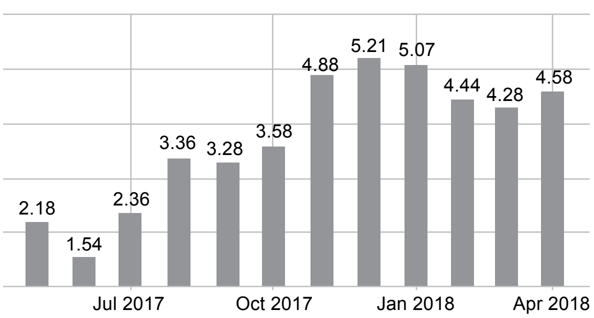
2012-13	5.4
2013-14	6.1
2014-15 (3rd RE)	7.2
2015-16 (2nd RE)	8.1
2016-17 (1st RE)	7.1
2017-18 (2nd AE)	6.4
2018-19*	7.4
2019-20*	7.8

*RE: Revised Estimates; AE Advanced Estimates; * Projections*
(Source: Central Statistics Office, IMF)

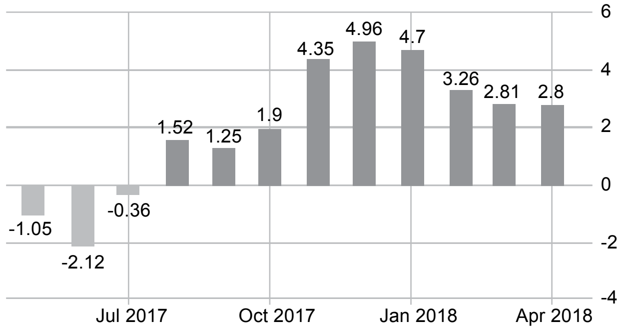
India's Current Account Deficit (CAD) in the third quarter of FY 2017-18 grew to 2% of GDP versus 0.7% seen in FY 2016-17. The rise in CAD is attributable to more than 2x increase in crude oil prices in first half of 2018 from around US$30 per barrel in early 2016. Going ahead, CAD is estimated to remain modest and financed by robust foreign direct investment (FDI) inflows as India remains among the top investment destinations due to its sheer market size and rapid economic growth. Inward FDI flows already increased to a record high of an estimated US$ 45 billion in 2017. Japan, US, UK, and Singapore consistently serve as large sources of FDI for India.

The month of March 2018 witnessed the drop of retail inflation to a five-month low of 4.28%, though it was still above Reserve Bank of India's (RBI) medium-term target. Barring a cut of 25 basis points in August 2017, rates were largely maintained throughout FY 2017-18. A jump in global crude oil prices, India's costliest import, over estimated Government expenditure and a sharp weakening in the rupee are keeping inflation above RBI's target of below 4%.

India Inflation Rate



India Food Inflation



(Source: https://tradingeconomics.com/india)

Indian Banks are grappling with the issue of rising Non-Performing Assets (NPAs). As on March 2018, Indian banks' total gross NPAs stood at ₹9 lakh crore of which, over 90% was with state-run banks. While the RBI is tightening the strap over banks, the newly-adopted Insolvency and Bankruptcy (Code) is expected to be an effective tool in dealing with these NPAs.

India's massive leap in the Ease of Doing Business rankings from 130th rank in 2017 to 100th in 2018 reflects the country's commitment to long-term reforms and its stronghold on the global front. The economy could receive boost in terms of job creation and investment revival, due to large-scale government driven infrastructure programmes spanning sectors such as real estate, ports, roads and power.

In its Union Budget 2018-19, the government allocated ₹5.97 lakh crore for the development of infrastructure facilities. Initiatives such as 'Housing for all', 'Atal Mission for Rejuvenation and Urban Transformation' and 'Smart Cities' mission are likely to play a vital role in transforming India's urban and rural infrastructure. The government is focussing on achieving 175 GW renewable energy and further improving the power scenario in rural areas through its 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY). In the field of digitisation, India connected 100,000 gram panchayats through high speed optical fibre network under phase-I of the Bharat Net project and enabled broadband access to over 20 crore Indians living in about 250,000 villages.

As per IMF, India is poised to remain as the fastest growing economy in the world, with 7.4% growth in 2018 and 7.8% in 2019. Indian GDP is expected to reach US$5 trillion by 2025 as the economic reforms adopted in the last few years start to bear fruits. The World Bank expects Indian economic recovery to lift growth in South Asia region making it the world's fastest growing region.

Goods and Service Tax

The Goods and Service Tax which came into effect on July 1, 2017, is a significant reform in the history of indirect taxation in India. GST is expected to be a modern, transparent and technology-driven indirect tax system to sharpen the competitive edge of the economy which was earlier bogged down by internal trade barriers and a raft of central, state and local taxes. GST subsumed 17 central, state and local taxes in line with the "one nation, one market, one tax" concept on which it was based. The new regime had tax slabs for goods and services—5%, 12%, 18% and 28%. The GST had different impacts on different sectors and companies based on the taxes that they were earlier paying. However, GST is expected to formalise the economy as it encourages the informal players to get integrated into the formal one by way of tax rebates to registered assessees.

The consumer durables sector was earlier attracting tax rate in the 7-28% range depending on rebates the specific players earned. Under GST it was placed under the 28% bracket having an almost neutral to slightly negative impact. GST is expected to benefit companies by narrowing the price gap between organised & unorganised players and reducing logistics costs. These, in turn, GST will improve the operational profitability of large organised players. For the Company, GST led to some positive impact on profitability of Consumer Products division on account of the inventory due to which it earned certain amount of credit. Overall the end consumer price is not expected to be impacted due to GST implementation for the Company. On the EPC division, the Company had to make certain provision on account of GST which impacted margins by 4% in the second quarter of FY 2017-18.

COMPANY OVERVIEW

The Company is a well-established brand in the consumer appliances industry and holds the leadership position in many kitchen and domestic appliances segment. Leveraging its brand name, mass appeal and broad understanding of the consumer markets, it has also entered into strategic alliances with international companies to cater to the untapped premium market for consumer appliances and to exploit opportunities in the lighting industry. The Company has also a strong foothold in power transmission and distribution business. The Company also has a significant presence in the lighting and luminaires business.

To achieve higher economies of scale, improve synergies and expand its reach, the Company had in the last financial year merged its four erstwhile consumer facing businesses—Kitchen Appliances, Domestic Appliances, Fans and Lighting into one.

The Company recorded steady performance in FY 2017-18 despite some challenges faced due to demonetisation effect, fall in demand of CFL and adjustments as per Ind AS. Though there was some drop in sales, margin growth was better led by effective procurement and increased sales realisation.

The year was marked as the second consecutive year of good monsoons, healthy farm produce and higher MSPs, these factors led to improved sentiments in rural India. A slew of Government initiatives like rural electrification, Make in India, continued farm loan waiver, reliable power supply and Skill India have helped increase disposable incomes which led to robust demand in rural and semi-urban areas. Robust performance on GDP with sustained low inflation levels have helped keep demand of consumer durables high with shorter replacement cycles.

The year under review continued to be bogged down by challenging business environment led by confusion caused by GST implementation especially in fixed price contracts and subdued private investment. The Company's Engineering, Procurement and Construction (EPC) business witnessed robust growth in its order book and scheduled execution of projects owing to strong foothold in certain spheres and strong management team.

Overview of the Company's financial performance

In FY 2017-18, the Company saw successful implementation of its renewed strategy with its dealer inventory programme rollout moving towards completion. Though the top-line performance was slightly tamed in both the business segments, the future looks promising with strong order book in EPC segment and strong plans of SKU ramp up in Consumer Products segment. Bottom-line was slightly impacted due to Ind AS adjustments in EPC segment.

Profit & Loss Statement Analysis

- Revenue from operations increased to ₹4,716.39 crore from ₹4,298.26 crore, up 9.73% YoY for FY 2017-18, on account of increase in EPC sales from ₹1,983.33 crore to ₹2,487.56 crore, up 25.42% YoY.
- EBITDA increased to ₹346.64 crore from ₹278.35 crore, up 24.53% YoY for FY 2017-18. EBITDA margin increased to 7.35% of net sales from 6.48%, up 87

basis points YoY. The margin increase is on account of improved sales and robust cost containment measures.

- Depreciation and amortisation expense came at ₹33.94 crore from ₹29.87 crore, up 13.64% YoY for FY 2017-18.
- Finance Cost decreased to ₹58.86 crore in FY 2017-18 from ₹80.44 crore in the previous year. Finance Costs to Net Sales ratio decreased to 1.25% as against 1.87% in FY 2016-17.
- PBT (before exceptional items) came at ₹253.83 crore for FY 2017-18, from ₹168.04 crore in the previous year, marking an increase of 51.05%.
- Net Profit came at ₹83.62 crore for FY 2017-18, from ₹107.66 crore in the previous year, marking a decrease of 22.33%.
- Earnings per share (Basic) came at ₹8.23 for FY 2017-18, from ₹10.65 in FY 2016-17.

Balance Sheet Analysis

- Net Worth increased to ₹944.75 crore in FY 2017-18 from ₹871.50 crore in FY 2016-17. Equity Share Capital increased to ₹20.41 crore in FY 2017-18 from ₹20.26 crore in FY 2016-17, whereas, Reserves and Surplus increased to ₹924.13 crore in FY 2017-18 from ₹851.24 crore in FY 2016-17.
- Book Value per share increased to ₹92.59 in FY 2017-18, from ₹86.04 in FY 2016-17.
- Borrowings increased to ₹723.10 crore in FY 2017-18 from ₹646.56 crore in FY 2016-17. Debt-Equity ratio stood at 0.76 times.
- Fixed Assets increased to ₹322.17 crore in FY 2017-18 from ₹317.91 crore in FY 2016-17.
- Return on Equity came at 9.28% in FY 2017-18 as compared to 12.09% in FY 2016-17.

Outlook

Monsoon revival and end of the global food price deflation have ushered stability in rural India. Stabilisation of GST coupled with signs of improvement in broad consumer sentiment, availability of more employment, rollout of initiatives like Phased Manufacturing Program, formalisation of the economy, expectations of a good monsoon, steps to double farm income by 2022 provide a strong ground for revival of growth in Consumer Products segment. With the transition from the Push driven to the Pull driven distribution model nearing completion, the Company is ready for the next leg of growth strategy which encompasses launch of new products and capacity expansion leveraging its dealer inventory program.

Industrial activity has been aggregating for some time. Backed by support from core sector growth and higher Government spends, EPC segment performance is likely to look up given a strong order book in place and possibility of expanding footprint in newer regions with strong market discipline.

OPERATIONS

CUSTOMER FACING BUSINESSES

Industry Overview

Demand for consumer durables in India has been growing on the back of rising rural incomes, increasing urbanisation, a growing middle class and changing lifestyles. Boost in discretionary income and easy financing schemes have led to shortened product replacement cycles and evolving life styles where durables which were earlier considered luxury have now become utility. Growing awareness and easier accessibility have driven the market growth especially in rural and semi-urban areas.

Consumer durables market in India reached US$ 15.45 billion in 2017 and expected to reach US$ 20.6 billion by 2020. By 2025, India is expected to up its ante in the consumer durables market in the world from 12th to 5th largest position. Demand growth is likely to accelerate with rising disposable incomes, easy access to credit, Government's strong thrust on electrification of rural areas and wide usability of online sales.

(Source: IBEF)

Consumer durable market is chiefly divided into 2 categories

Consumer Electronics	Consumer Appliances
Televisions	Air-conditioners
Audio and Video Systems	Refrigerators
Personal Computers / Laptops	Washing Machines
CD and DVD players	Sewing Machines
Digital Cameras & Camcorders	Electric Fans and Cleaning Equipment
Electronic Accessories	Microwave Ovens and Other Domestic Appliances

Consumer Appliances

Over the past few years, structural reforms and economic policies have resulted in a favourable business environment

Net Profit came at ₹ 83.62 crore for FY 2017-18, from ₹ 107.66 crore in the previous year, marking a decrease of 22.33%

giving a significant boost to domestic manufacturing. India's recent jump to 100th rank from 130th on the World Bank's Ease of Doing Business index highlights the government's concerted efforts.

The consumer appliances market was one of the fastest growing categories in India and experienced healthy growth in 2017. The majority of the demand for consumer appliances in India comes from urban India. A large booming market, increasing disposable income, easier access to financing options and improved rural electrification have supported growth in the sector. In FY 2017-18, growth was fuelled partly by the low base following demonetisation, a good monsoon, improving market sentiment after the implementation of GST, newer launches and increased consumer promotions.

While other growing economies have an ageing population, India's young population offers a large consumer market and a skilled global workforce. Due to rising labour costs in alternative markets such as China and large domestic demand, global companies are turning their attention towards India as the next manufacturing destination.
(Source: PWC)

Business Overview

The Company plays in the Indian consumer durables space in the kitchen and domestic appliances, fans and lighting solutions. The Company offers a wide spectrum of products under each category with unique price proposition and superior quality. With evolving consumer preferences the Company is working to create product differentiation leveraging its stronghold on technological advancement.

FY 2017-18 witnessed the successful roll out of Range and Reach Expansion Program (RREP) in 80% of the country. This translates to serving nearly 500 districts, 400 distributors catering to more than 144,000 retailers. Though this impacted the top-line growth to some extent, it will enable strengthening of distribution network and thereby sales in the coming years. RREP is also likely to reduce operating costs and help boost margins. With this success, the Company is well poised for steady growth in the coming years, as it continues to launch new products and invest in marketing channels of the future to connect with millennial.

The strengthening of distribution already showed positive results in the last quarter of FY 2017-18 with categories like irons, water heaters, fans, induction cookers, mixers and LED registering high double digit growth as compared to same period during last year. In domestic appliances, the Company gained market share through new product initiatives with wider and deeper distribution. In fans, the Company retained its significant position in both premium and economy categories.

The Company launched several offers based on the seasonality of the sub categories increasing end consumer purchase consideration. Within kitchen appliances, the Company maintained leadership in mixer grinders and its dominant place in juicer mixer grinders and food processors sub segments. In gas stoves, there was substantial value growth driven by a demand for high end offerings.

Catering to the premium segment through Morphy Richards

Morphy Richards of the UK is a leading premium home & kitchen appliances brand, present in India since 2002 through the Company, with its range of products available in over 22 categories.

The complete range of Morphy Richards products are available through a wide network of distributors and retailers across the country. These products are also available online. Morphy Richards offers free home service across the country to its customers and has a well-established Pan-India service network.

In FY 2017-18, Morphy Richards India consolidated its position by launching new products in Dry Iron, a new series in Oven Toaster Grillers, Microwave Oven and a refreshing color range hand blenders with DC motors. It also launched its stylish, premium luxury and cutting edge global products in the Indian market namely, 'Redefine', `Prism' and `Total Control'.

The business witnessed double digit growth during the year and there was robust traction through general trade and online channels.

Alternate Sales channels

In order to have market penetration, the Company caters to Model Format Retail (MFR) stores, institutions, Canteen Stores Department (CSD) and Central Police Canteens (CPC). The Company is also undertaking E-Commerce business through its website, and external portals like Amazon, Flipkart and Paytm.

Efficient After sales Services – Commitment to customers

The Company expanded its network of 418 authorised service centres in 298 cities, to 489 centres in 341 cities. All these centres provide timely service to consumers at their doorstep, even in remote and rural areas. The gamut of after-sales service includes installation of products and demonstration besides repairs of products. The centres have 2,200 service engineers trained by the Company.

To ensure speedy response, the Company has provided a mobile application to all service engineers to attend consumer service requests online, at any time. All the information to measure their performance and effectiveness is collected to gauge the response time. Post call resolution, the Company takes feedback from consumers to continuously update the processes and enhance the quality of service delivery.

The Consumer Products segment reported the revenue of ₹2,228.46 crore in FY 2017-18 as against ₹2,314.21 crore in the previous financial year. The segment has recorded 3.71% de-growth this fiscal.

Opportunities

Rising demand for automation in household chores: With growing prevalence of working women and nuclear families the need for automation in household chores is on a speedy growth. With higher disposable incomes due to dual incomes, concept of modular kitchen and use of modern appliance is gaining traction. ACs, refrigerators, microwaves etc., are no longer the luxuries but have become necessity tools of survival for the modern day consumer.

Growing prevalence of social media: Having a lavish home is essential for the modern consumer to maintain social media status. Also with growing internet penetration, awareness on use of appliances and availability is gaining popularity. This has led to upgradation in the way modern households operate.

Housing for all: India's urban population as a percentage of total population was around 32.7% in 2015 and is expected to rise to 40% by 2030. Under the "Housing For All" scheme, 60 million houses are to be built which include 40 million in rural areas and 20 million in urban area by 2022. Government's plan to build 100 smart cities will further the cause of rural development. These factors bode well for the Company's consumer products segment.

Rising income levels: India's per capita income, a gauge for measuring living standard is expected to grow to ₹1,11,782 in FY 2017-18, up 8% as compared to the previous year. Disposable income in rural India has increased due to the direct cash transfer scheme. Total rural income, which is currently at around US$ 572 billion, is projected to reach US$ 1.8 trillion by FY 2020-21. India's rural per capita disposable income is estimated to increase at a CAGR of 4.4% to US$ 631 by 2020. As income levels rise there is an uptrend in share of domestic appliance market.

Growing demand for electronic appliances: By 2020, the electronics market in India is expected to increase to US$ 100 billion from US$ 28 billion in FY 2016-17. The production is expected to reach to US$ 104 billion by 2020.

With all these factors working in favour of the domestic appliances market, the Company is well positioned to tap on this growth. There is also growing prevalence of premium products led by growing middle class segment. This bodes well for the Company as it enjoys trademark user license agreement with Morphy Richards which enables it to sell the global range of consumer appliances in India. With growing exposure of consumers to the foreign world, the consumer's demand for similar products is on the rise and the Company can cater to this demand with products similar to those available in the European markets. The Company is also exploring opportunities to be able to export its Morphy Richards branded products.

Threats

Commodity price fluctuation: Volatility in price of raw materials can have a direct bearing on the Company's margin as the buyers are price sensitive and may react to price fluctuations. Thereby the Company closely monitors commodity price movements and plans procurement accordingly. It not only negotiates on the vendor end but also initiates price increases on the consumer end. Sometime, the Company absorbs price fluctuations to introduce premium variants which could generate better margins, these products compensates for bearing on low margin products.

Rising competitive intensity: Given the lucrative growth potential the consumer appliance segment portends, the sector attracts attention of new players coupled with rising intensity from existing players. Irrational pricing can sometimes play the spoilt in the industry margins. The Company tries to keep competition at bay by offering superior quality products at competitive prices. The Company also doles out attractive reward programmes for trade partners making it the brand of choice. Use of alternate sales channel catering to institution and malls, e-commerce and defence, and police canteens, enables the Company to fortify its position across channels.

Outlook

The Consumer Products segment is expected to foresee robust growth in the coming years reinforced by surging rural consumption, reducing replacement cycles, increasing penetration of lifestyle appliances, availability of multiple brands at various price points and rapid rise in e-commerce. Rapidly shrinking replacement cycles sustain demand in urban areas while low penetration rates and increasing availability and usage of consumer durables have fuelled demand in rural areas. Income level disparity will lead to growth in the entire spectrum of product range. High Income groups will opt for advanced features, whereas, middle and low income groups which are price sensitive will continue to replenish older equipments.

ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC)

Power Sector

India's total installed power generation capacity at the end of FY 2017-18 was 344 GW. Thermal power capacity forms the lion's share at 64.8%, followed by renewable, hydro and nuclear constituting 20.1%, 13.2% and 2% respectively. Transmission lines of 23,119 Circuit Kilometres (ckms) were commissioned in FY 2017-18, over achieving the target of 23,086 ckms set for the year. In FY 2017-18, the transformation capacity was improved by 86,193 MVA, over achieving the target of 53,978 MVA set for the year. This translated to 5.35% increase in transmission capacity over the previous year.

(Source: Ministry of Power)

The government's push for structural reforms in the power sector will help to unbundle the vertically integrated state utilities. The focus is on improving the reliability and efficiency of the existing network, by investing in higher voltages such as 400 kV and 765 kV. The Government is also looking to expand the transmission network. The Government's investment of US$ 3.5 billion in the green energy corridor by FY 2021-22 and the proposed implementation of general network access would boost the prospects of the sector. However, slow state-level planning and right-of-way issues could drag down growth.

Falling costs have made renewable sources increasingly competitive with fossil fuels. India ranks third among 40 countries in EY's Renewable Energy Country Attractiveness Index, on the back of Government's strong focus on promoting renewable energy and timely implementation of projects. The government is supporting the use of renewable sources with a major thrust on solar energy. In FY 2017-18, India had a grid connected solar capacity of 21.65 GW. Having over-achieved the target of setting up solar power plants of 20 GW four years in advance, the Government scaled up the target to 100 GW to be achieved by 2022. This bodes well for companies operating in the transmission lines network. Also the Government is targeting all Indian Railways trains to become electric by 2022 creating further opportunities.

Lighting & Energy Efficiency Sector

The government is laying strong thrust on new energy efficiency measures to meet the unprecedented demand for electricity and to ensure energy security for sustainable economic growth. The World Bank has pegged India's energy efficiency market at ₹1.6 trillion by considering end-use energy efficiency opportunities, against the backdrop of the success of the Government's UJALA scheme and street light national programme. Since its inception in January 2015, more than 28 crore LED bulbs have been sold across the country resulting in energy savings of 36,545 million units (MUs) and avoiding peak demand of 7,317 MW.

The government's push promoting investments in energy efficient lighting technologies have expanded the applications of LED lights across various industrial, commercial and residential sectors. According to IMARC Group, the Indian LED Lighting market was worth US$ 1.5 billion in 2017, achieving a growth of 5% CAGR during 2010–2017. Due to their numerous advantages over conventional lighting technology, they have swiftly gained prominence in the Indian lighting market.

A rapidly growing automotive industry, increasing infrastructural investments, rapid growth of street lighting systems, decline in average prices of LEDs and various government and upcoming smart building projects are expected to drive the demand of LED lights in India.

Business Overview

a. **Transmission Line Towers (TLT)**

The division delivers EPC services in transmission lines upto 765 kV, EHV substations upto 220 kV & monopole-based transmission lines upto 400 kV. Hot-dip galvanised lattice towers & monopole structures are manufactured at the Company's own unit at Ranjangaon, near Pune.

The division provides the above mentioned services in all parts of the country. During FY 2017-18, transmission line & sub-station work was carried out at more than 25 sites in 14 states of India.

During the fiscal year, TLT division recorded a sale of ₹515 crore against the target of ₹600 crore, 86% achievement. The overall sales comprise ₹325 crore in material supply and ₹190 crore of site execution services.

Major achievements of TLT division:

- Successfully commissioned & handed-over 11 out of 15 lines in BSPTCL project. This contributed significantly to improving the power situation in Bihar.
- Successfully commissioned & handed-over 765 kV D/C Jabalpur Orai 02 & 03 line of PGCIL by resolving all bottlenecks such as severe ROW & other operational issues. This will help strengthen the national grid by inter-regional connection from Western Region to Northern Region.
- Successfully commissioned three 132 kV stations of MPPTCL along with associated lines. This will help strengthen the local distribution network.
- Successfully commissioned three 132 kV stations of OPPTCL along with associated lines. This will help strengthen the local irrigation system.
- Successfully commissioned first 220 kV substation along with associated transmission line for solar evacuation at Suwasra, Madhya Pradesh. This project will give a major boost to providing grid connectivity for a mega solar power project in that state.
- Received first 132 kV GIS order from West Bengal State Electricity Board.
- Bagged the first 132 kV export order for monopoles in Zambia.

The transmission sector has been rapidly evolving. Major transmission infrastructure, especially 765 kV and above, is already in place. The future outlay is expected to be more in the sub-transmission sector, i.e., 400 kV or below. Moreover, the transmission industry has an over-capacity and hence margins shall be under stress in that atmosphere. Therefore opportunities have to be sought in non-conventional areas such as transmission network laying associated with wind, solar power, etc. and also in new geographical areas which are now becoming good markets such as the North-eastern states.

The government is also encouraging private sector participation in the transmission sector through the TBCB (Tariff Based Competitive Bidding) route. Progressively, the working atmosphere may undergo considerable changes. There will be a shift from the government sector to the private sector which may be a risk for contracting agencies.

The division is also aggressively pursuing opportunities in monopoles and is executing the first order in the country of a 400 kV dedicated monopole line. Efforts are gradually fructifying into orders and it is expected that monopole-based transmission lines will become a rapidly growing sustainable business.

The division is strategically positioning itself to be an end-to-end solution provider in the power transmission sector including transmission lines on lattice structures, on monopole structures, EHV substations and EHV cabling.

Opportunities

Thrust on renewable sources: The government's recent drive to increase use of non-conventional renewable energy resources is opening up significant occasions for companies engaged in transmission line network. The Company finds itself in a sweet spot to bank on this opportunity given its immaculate performance in this segment.

Increasing private player participation: The Company is exploiting the Government's push to encourage private sector participation in transmission sector through TBCB route. The Company is bidding in monopoles, which it expects to grow substantially in the near future.

Risks

Overcapacity: Since the Government is over achieving its target of installing transmission lines it poses a risk of overcapacity which can impact profitability. The Company is on constant lookout for opportunities in underserved markets with a strong focus on renewable sources which is new and upcoming. The Company's strong track record of timely execution at competitive costs puts it in a strong competitive place.

b. Illumination EPC

The Company supplies high masts, street lighting poles and FRP decorative poles under its Illumination EPC division. Also special lighting projects such as power plants, stadiums and architectural lighting, etc. are undertaken by the Company. It undertakes end to end turnkey projects in lighting including conceptualising, designing, manufacturing, installing and commissioning.

Highmast lighting systems and lighting poles are the forte of the Company wherein it is the nationwide leader. The Company is ISO: 9001 certified for all activities of this division. Hot-dip galvanised highmasts, poles and monopole structures are manufactured at the Company's Ranjangaon facility, near Pune (Maharashtra).

Through the Illumination EPC division, the Company also caters to international geographies. The highmast systems are exported to over 15 countries across Africa, Europe, Middle East Asia and South East Asia regions.

The Company has a strong order book of close to ₹189 crore for Illumination projects. In FY 2017-18, the Illumination EPC division sales came at ₹226.28 crore as against ₹240.32 crore in FY 2016-17 amidst challenging business environment.

Opportunities

Boost for infrastructure development: The Government is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport. In the Union Budget 2018-19 the Government allocated ₹5.97 lakh crore for the development of infrastructure with the highest ever budgetary allocation of ₹1.48 lakh crore for railways. Government's focus on smart city development and replacement of conventional systems with more energy savings options offers tremendous opportunities for the Company.

Push for industrial growth: Under its Make in India initiative, the government has been encouraging investment by both foreign and domestic manufacturers to set up bases in India. Recovery in capex cycle will create substantial demand for Illumination solutions. These factors will propel growth for the Company's Illumination division basis its strong business relationship with some India's leading business houses.

Threats

Unorganised sector competition: Backed by manufacturers of highmasts and poles, small time contractors qualify in tenders. This unorganised competition poses risk to Company's project order book since they quote significantly lower prices. The Company's high quality of product and services are its unique selling point giving it an edge over competition. Formalisation of the economy led by implementation of GST stands to help the organised players. Additionally, poor track record of small players who fail to execute orders on time and provide poor quality solutions prove disadvantageous for them.

Pricing risk: Lucrative growth of the sector has led to high competition with players operating on low margin to get business. By expanding its reach and maintaining high quality standards, the Company commands a premium amidst a highly competitive market. Robust order book provides some insulation from pricing pressure.

c. Luminaires

The Company undertakes designing and marketing of solutions for commercial lighting, industrial lighting, street lighting, area lighting, IBMS and renewable energy, under the Luminaires division. The Company has ISO 9000 certification for this division. Majority of the products under this division are manufactured in plants which are ISO 9000:2000 certified. Select plants are ISO 14001 certified which sets out the criteria for environmental management.

In FY 2017-18, the Luminaires division sales was at ₹420.55 crore as against ₹466.52 crore in FY 2016-17 led by strong demand. The Company won the "Smart Green Building Initiative Award 2017" and "FSAI Awards 2017 for Best Integrated Project India."

Opportunities

Strong Government push for energy efficient lighting solutions has led to increased demand for LED Luminaires with bright future prospects. The Company's significant position in the space puts it in an advantageous position to tap on the potential growth. Additional demand is likely to be driven by the Government's smart city initiative. To strengthen its position in bagging the smart city orders, for smart outdoor lighting solutions, the Company has tied up with CISCO and for IoT enabled lighting systems the Company has tied up with Gooee of UK.

The significant transition of a number of private businesses from conventional lighting to LED and automation provides additional growth opportunities for the Company. The Company's foray into lighting solutions with special features of dimming and controls puts it in a sweet spot.

Threats

The division faces intense competition and pricing pressures like most other businesses. The Company's strong brand equity coupled with proven execution track record gives it an edge over competition. Also the Company's relentless focus on delivering futuristic solutions further strengthens its position.

d. Power Distribution

The Power Distribution division of the Company has a strong order book to the magnitude of ₹2,782 crore. The Company is working with the Government under DDUGJY (Deendayal Updahyaya Gram Jyoti Yojana) and IPDS (Integrated Power Distribution Scheme). The focus for FY 2017-18 was to complete the projects.

There have been a slew of initiatives by the government to undertake distribution reforms with strong focus on upgrading system, reducing losses, controlling theft, orientation towards consumer service and supplying quality power. In addition, the Government is emphasising on development of smart grids. These initiatives work in favour of the Company's power distribution division.

The Company is working harder to ensure on timely project execution, efficient working capital management and safety of management sites. This persistent focus is likely to improve its profitability in the division.

Outlook for EPC division

The Company has successfully cleaned long lasting legacy issues in EPC business. The Company is currently well placed to tap the opportunities arising from the upcoming energy efficiency market and the renewable energy segment. The huge Government investments in infrastructure development are expected to give a boost to the sector.

A strong order book in the pipeline backed by an excellent product portfolio and a talented pool of engineers suggests that the Company is future ready to clock robust growth in EPC in FY 2018-19.

EXPORTS

FY 2017-18 was a challenging one, with international turmoil across the globe. The challenge for the Exports division came in the form of currency de/re-valuation, election and political instability in some countries. The division however, has achieved a growth of 36% with a CAGR of 21% clocking a turnover of ₹58 crore for the current financial year.

Some of the countries where the division has expanded its presence in both B2B and B2C are: Kenya, Indonesia, Mauritius, Jordan, Gambia, Zambia, Mozambique, Togo, Ethiopia, Qatar, Djibouti, Mauritania and Uganda.

The division has bagged some prestigious projects including:

- Last Mile Connectivity Project with Kenya Power Lighting Company (KPLC) in Kenya for Power Distribution.
- Transmission Line Project with ZESCO, Zambia for monopoles.
- Rural Electrification Project with Compagnie Energie Electrique du Togo (CEET), Togo.
- Supply of poles to Qatar General Electricity & Water Corporation (KAHRAMAA), Qatar.

The total value of the above projects put together is around US$ 27 million (around ₹175 crore) with the completion period between 18-24 months.

To strengthen the GCC Market, i.e. Gulf Co-operation Council, whose member states include The United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait and Yemen, the division has received G Mark Certification for a few of its products.

The division also participated in exhibitions and conferences across the globe, namely FIEE 2017 in Sao Paulo, Brazil, IFA 2017 at Messe Berlin, Germany, Trade Fair in Canton, China, WAPIC Conference and Exhibition, Lagos, Nigeria, Light + Building, Messe Frankfurt, Germany. It also conducted an LED lighting launch in Dubai and hosted dealers in Sri Lanka with an incentive trip to Kerala.

GREEN ENERGY- WIND ENERGY

FY 2017-18 witnessed an addition of 1,762 MW of wind power installation, the lowest in the preceding five years. This is attributable to transition from the Feed-in-Tariff (FiT) to the competitive bidding regime, multiple policy issues, and flat power demand. Currently the total wind energy capacity in India is 34,042 MW. This puts the industry in a comfortable position to achieve the government's 60 GW capacity target by 2022. The industry has a healthy order pipeline in view with 10-12 GW secured even before the start of FY 2018-19.

(Source: https://economictimes.indiatimes.com/industry/energy/power/india-to-achieve-60-gw-wind-capacity-before-2022-say-manufacturers/articleshow/63601220.cms, https://qz.com/1245556/indias-wind-power-sector-had-a-terrible-year-in-2017-can-it-turn-around/)

During FY 2017-18, the Company's 2.8 MW wind farm at Vankusawade village, in Satara district of Maharashtra, generated 17,10,304 electrical units as compared to 33,37,281 electrical units in the previous year.

SUPPLY CHAIN

Supply Chain Management (SCM) is an important and integrated function at the Company aimed to bring a competitive edge to the business. SCM covers all business verticals and is considered an end-to-end function with core competence. Ensuring superior availability at competitive costs is the focus point of SCM's strategy. SCM is basically aimed at standardising the processes, deriving benefits of aggregation across all the businesses and ensuring consistent quality management. Depending on the nature of the business, SCM adopts customised strategies aimed at improving customer service while keeping inventories fresh and at a manageable level. On account of effective cost management and ensuring availability, SCM helps in improving the Company's profitability.

RESEARCH & DEVELOPMENT

To remain at the forefront and evolve products that suit the modern customers' requirements in the digital age, the Company set up a modern R&D centre at Navi Mumbai in Maharashtra in the last financial year. This Centre combines all aspects of research, design, development and testing capabilities under a single roof. From developing products that are eco-friendly to designing technological-advanced and smart and intelligent products, the Centre will be the bedrock and primary source of all future products and technologies.

MARKETING & BRANDING

Demographics have become increasingly important in marketing, especially with the growth of better segmenting algorithms and plenty of big data to draw on that can help mould effective communication strategies. The group most important in the country is the 'Indian Millennials', in fact, millennials have changed the way marketers look at customers.

Indian Millennials: Facts and Figures

- Those under 35 represent a large proportion (65%) of the Indian population.
- They are undoubtedly better educated and more tech savvy than their predecessors.
- They are more likely to engage and shop online.
- And they have a clear set of characteristics that define how marketing companies and brands should engage with them.

With an emphasis to cater to this faction, the Company's broad communication strategy for FY 2017-18 stayed focused on positioning the Company to be known for its innovative solutions and technological expertise. With an aim to achieve and drive this communication objective, the Company formulated strategies that were driven through the traditional (TV, radio & print media), digital and on-ground media.

The Company launched its first B2B corporate campaign called "Magic of Light" showcasing its capabilities around Street lights, Transmission Line Towers, Power Distribution & Illumination and to create awareness about some of its successfully designed and commissioned complex landmark infrastructure projects. Notably, this campaign showcased the Company's role in the infrastructure building for the country. The campaign was very well received and high on visibility across media.

The Company continued its association with major youth events in the city to promote sports, arts and culture. One of the most watched indigenous sports in India, 'Pro-Kabaddi 2017' (also the most watched sport after cricket in India) was sponsored for the fourth time. The Company was also lighting partner with youth icon "Justin Bieber's Purpose World Tour" on his maiden concert in Mumbai.

The Company was also the lead sponsor for The International Federation of Sport Climbing (IFSC) tournament in Mumbai and inspiring partner for Pinkathon 2017. It also partnered with festivals promoting arts and culture like Kala Ghoda Arts Festival 2018, in Mumbai and World Orange Festival 2017 in Nagpur with Lokmat Group. These strategic partnerships with the leading events helped reinforce the Company's brand ethos and drove home a strong message of its support to the youth.

Media consumption across the globe is increasingly happening in digital formats. The increase in the number of devices capable of supporting digital media has provided consumers with an option to access the media content of his choice anytime. To reach out to the targeted segments across globe, the Company has efficiently utilised this medium with impactful content. Whether it was launching a television show "Food Memoirs with Hemant Oberoi" on a premium lifestyle channel or launching the "Magic of Light" campaign (delivered 234mn impressions) creating awareness about landmark infrastructure projects carried out, the Company has presented exceptional content utilising digital media at its best. It is among the first Indian companies to go digital and have its own website. On August 15, 2017, its website celebrated the completion of 20 years, making it a milestone.

To support RREP and to ensure on-ground visibility, more than 13000 stores were branded across India. The Company also embarked on a Digital Transformation journey with a focus on enhancing the customer experience in B2B and B2C space through an initiative - 'Project Evolve'. The Company has built a state-of-art digital centre at its office in Mumbai, for extensive social media listening and monitoring, to understand the pulse of the industry and brand health vis-à-vis its competition. It will help the Company utilise social media data strategically to understand consumer sentiments and map the consumer journey, enabling the organisation to make informed decisions.

The Company's consumer business segment which witnessed successful product launches was the focused for the year. The Company's partner Morphy Richards on August 22, 2017, launched its global range in India to capture the interest of Indian audience through smart technology and innovative designs. Taking a step forward, the Company also launched India's first of its kind IOT air-cooler to improve customer experience and make the cooling process easy.

With the aim of showcasing its diverse range of technologically advanced solutions in home automation, connected lighting solutions and engineering projects to the globe, the Company participated in the world's leading trade fair in the field of light and building automation, "Light + Building 2018", at Frankfurt in Germany, promoting its key theme of 'Smart Indoors and Connected Outdoors'.

The Company was appreciated with some prestigious awards like:

- "POOGI Award" at TOCICO International Conference 2017, Berlin, Germany.
- Leadership in Energy and Environmental Design (LEED) Platinum Certificate, by the United States Green Building Council (USGBC) to Bajaj Electricals R&D Centre - 'AB SQUARE' Navi Mumbai, India.
- The SEAD Global Efficiency Medal for Outdoor Lighting 2017, Paris, France.

INFORMATION TECHNOLOGY

The Company continues to invest in Information Technology for automating various business processes, being productive and also aligning all business units towards Theory of Constraint (TOC) way of working. Keeping lights on for ERP, CRM, BI and Intranet for all its employees and extranet portal for all stakeholders is one of the primary requirements for running all business functions in an automated manner.

The Company also focused on Consumer Centric Digital Transformation Project where the following initiatives were completed:

- Launched IoT-enabled Smart Lighting Solutions.
- Launched IoT-based Room Cooler.
- Launched Digital Engagement Centre for Social Media Listening and Analytics, ORM.
- Digital Experience Centre for IoT product development.
- Launched several mobile apps for Sales team, Distributors' Sales Team and Retailers and lifestyle mobile app for end consumers.
- Relaunched corporate website.
- Launched Chatbot for customer care.

As more and more business processes are getting automated and dependency on IT systems is increasing for all business units, there is a continuous focus on IT security and reliable disaster recovery management processes to ensure all critical systems are always available, periodically reviewed, upgraded and tested for efficacy, security & reliability.

The Company received following recognitions from various media agencies for its IT/Digital Projects:

- CIO Power List Digital ICON – 2017 and IDC Digital ICON Award 2017 for Digital Transformation Project.
- Digital Transformation of Department award from C-Change 2017 and IMC Digital Technology Award – 2017 for after-sales service, consumer care application with mobile app, call center and service franchises.

CORPORATE SOCIAL RESPONSIBILITY

The four pillars that guide the Company's CSR activity are Sustainability, Diversity Inclusion, Employee Volunteering and Community Outreach. The Company strives hard to benefit the communities where it operates. The Company plans and executes all its community outreach programmes keeping in mind the following:

- Ensuring environmental sustainability & promoting its education;
- Education, employment, enhancing vocational skills and livelihoods;
- Promoting preventive health care; and
- Promotion of arts & culture.

CSR Statutory Projects

The cause of environment conservation for today and future generations is at the heart of the Company's operations, as it acknowledges the importance of environmental sustainability in ensuring business continuity.

Ensuring Environmental sustainability & promoting its education

The Company undertakes initiatives such as tree plantation through employee volunteers and partners/NGOs across India under its community outreach programme. The programme is centred around the concept of ensuring environmental sustainability. The Company planted about 55322 and conducted awareness sessions amongst school/college students and citizens for emphasising the importance of restoring and protecting mangroves in the wetlands of Mumbai city, in partnership with a Mumbai-based organisation. The Company also works towards promoting long-term sustainable organic farming model as a part of its CSR initiative. Further, the Company distributed tree saplings to farmers for planting in their waste-lands. Such initiatives are directed towards creating livelihood options with sustainable source of income for the poor tribal families. It also helps to further the cause of improving the ecological balance in the areas and to increase the forest cover which in turn will result in adequate rainfall.

The Company is working towards zero-waste initiatives within the organisation so as to further the cause of a cleaner and greener India, through waste segregation and disposal. The Company also works for solid waste management in association with the NGO. The municipal solid waste is successfully converted into near zero-waste by working on waste segregation, composting and safe disposal. For this, the Company works with local bodies at ward level, through 75 identified educational institutes, housing societies, hotels and hospitals.

Promotion of Art & Culture

Preservation of Indian Art and Culture is another interest area of the Company. In order to promote this, the Company has reached out to about 300 schools, involving 32000 students through an Art Foundation. About 93 scholarships shall be awarded for FY 2017-18.

Promotion of Preventive Health Care

The Company intends to assist in eradication of tobacco consumption from the society and for that purpose has initiated “Yes to Life, No to Tobacco” campaign. The Company conducts tobacco awareness and cessation programs with the support of various NGO partners and employee volunteering programs. The Company has identified and implemented district level tobacco control programme in schools of Yavatmal and Wardha districts through its partner organisation. Street plays and workshops were conducted to sensitise about 400000 children and more than 10000 teachers in Yavatmal and Wardha districts.

Promoting Education

The Company runs Shiksha-Vikas programme which is a three-year school and community development model in association with an identified NGO partner and employee volunteer programmes. Under this programme, the Company works to bridge the gap between the availability of resources and the deprived communities. Demonstrative models used in this programme are designed so as to be emulated by others in the regions of Maharashtra and across India. The programme aims to improve the lives of socio-economically disadvantaged children across the rural, urban schools in and around Mumbai. In the first phase, the programme was conducted in Mumbai region with a focus on 23 government aided and non-aided schools.

Employee Volunteering

The employees of the Company are constantly motivated to participate in CSR activities. The Company culture itself encourages employees to volunteer and contribute their time and resources for CSR activities on a continuous basis.

- In FY 2017-18, about 1374 activities were undertaken by the employees which included tree plantation, cleanliness drives, waste management activities, participation in running events and anti-tobacco awareness sessions on Pan India basis.
- With a total of 4518 volunteering days the Company achieved an average of 2.03 volunteering days per employee.
- Out of total 55322 trees planted by the Company, about 37451 trees were planted through employee volunteering.
- To sensitise different stakeholders such as students, retailers, vendors and communities, Tobacco Awareness Sessions were conducted across India
- About 642 employees participated in various running events to promote health and environment. The running events included Tata Mumbai Marathon, Airtel Delhi Half Marathon, Tata Steel 25K Kolkata, Pinkathon, Let’s Run Raipur, TCS 10K Bengaluru and Wipro Chennai Marathon.

The Company won of the Silver Olive Crown Award for ‘Creative Excellence in Communicating Sustainability’ of the International Advertising Association (IAA) – India Chapter.

RISK & ADEQUACY OF INTERNAL CONTROLS

Risk Management

The Company has a Comprehensive Risk Management Policy and Framework in place to identify, evaluate and mitigate business risks to protect interests of its stakeholders. The Company's Risk Management framework focuses on ensuring that risks are identified on a timely basis and reasonably addressed.

The key business risks identified by the Company and their mitigation plans are as under:

(a) **Business environment**

The competitive environment in small appliances continues to be tough and to take care of that the Company has embarked on RREP to extend its demographics, offer value proposition to the customers and develop and further grow in consumer facing business.

ELCOMA has reduced warranty of LED products from 2 years to 1 year in October 2017, resulting in fluctuation in sales as retailers were pushing sales of old inventory with 2 years' warranty. Stock of LED with manufacturing dates prior to October 2017 is almost sold out and sales of LED have stabilised.

Reducing prices of LED continues to have impact on sales and profitability. The Company has initiated LED bulb manufacturing at Chakan plant to reduce procurement cost.

(b) **GST**

GST impact on sales of June and July 2017 was noticed due to approach of retail network to maintain lower stock at the time of switch-over to GST. Further, excise portion of tax, which was earlier part of cost and sales for most SKUs, has now become part of GST resulting in erosion of sales value by 8% to 10% of those SKUs. Order book for TLT was weak in Q1 and Q2 of FY 2017-18 as bid inquiry in market were weak due to inadequate clarity on GST. Sales and order book stabilised in Q3 and Q4 of FY 2017-18.

(c) **E-Waste**

Mercury content in CFL warrants adherence to e-waste rules. The Company will focus more on LED manufacturing and sales, CFL bulbs will be purchased from e-waste compliant manufacturers.

(c) **Hiring and retention risk**

The Company has been continuously working on retaining the best talent in the industry to work with, but it is a constant challenge to retain good talent. There is an imminent short-term risk from new entrants and existing domestic players to hire talent from our Company. The Company's human resource agenda focuses mainly on building a robust and diverse talent pipeline by hiring fresh management graduates to cater to various businesses and functions, enhancing individual and organisational capabilities for future readiness, driving greater employee engagement and strengthening employee relations. The Company has also taken a number of employee initiatives like benchmarking compensation structure with the industry, stock options, innovative management training programmes, job rotations, and quarterly/half yearly/annual recognitions, development programmes to retain and grow talent.

(d) **Occupational health and safety risk**

Safety of employees and workers is of utmost importance to the Company. To reinforce the safety culture in the Company, it has identified occupational health & safety as one of its focus areas. Various training programmes have been conducted at the plants and project sites such as behaviour-based safety training programme, safety leadership program, logistics safety program, etc.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Commensurate with the size, scale and complexity of its operations, the Company has well defined and adequate internal controls. Throughout the year, the internal controls were operating effectively. To test the robustness of these controls and to cover all business units, offices, factories and key areas of business, the Company had appointed an external consultant as an Internal Auditor. External consultant (Internal Auditor) and the statutory auditor, evaluate the design, adequacy and operating effectiveness of the Internal Financial Controls of the Company. The controls are designed in such a manner that they are broadly in accordance with the criteria established under the Companies Act, 2013 and Guidance Note issued by the Institute of Chartered Accountants of India.

The Company has documented Standard Operating Procedures (SOP) and risk registers, encompassing process flow, key risks and key controls for all business units and functions. SOP and risk registers in turn are evaluated and appropriate amendments are made by business depending on the changes in process workflow and controls. The external consultant (Internal Auditor) on review of the internal financial controls did not identify any significant control weakness. All the non-significant control weaknesses identified have been discussed with process owner. Remedial action has been taken or agreed upon, to eliminate the weaknesses in a time bound manner. Adequate manual controls have been deployed where control weaknesses have been identified due to system limitation in IT application.

The external consultant (Internal Auditor) conducts internal audits for the areas that are agreed with the Management and Audit Committee. The Audit Committee finalises the scope of internal audit. The audits executed by external consultant (Internal Auditor) are monitored by the Internal Audit function. It is ensured that internal audit and IFC reviews are conducted objectively. Also, it is ensured that reviews evaluate the efficacy and adequacy of internal control system in the Company, its compliance with operating systems and procedures, accounting procedures and policies of the Company. The internal audit function reports to the Chairman & Managing Director of the Company and the Chairman of the Audit Committee of the Board so as to maintain its objectivity and independence.

The process owners undertake corrective action in their respective areas within agreed timelines for significant risks identified in the reports issued by Internal Auditors. This helps to improvise and strengthen the controls. On a quarterly basis, significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

HUMAN RESOURCES

The Company believes that human resources are the most critical element responsible for the growth of the Company. Employee satisfaction being the Company's top priority, it strives relentlessly to attract right talent and nurture them to deliver superior performance.

Through continuous infusion of young talent with bright ideas into its workforce, the Company has managed to stay young even with eight decades of rich experience. Innovation is one of its core values. Online Assessment has enabled the Company to further strengthen its Campus Hiring Programme. The Company also undertakes lateral hires, including niche profiles. The Company introduced the Buddy Programme to enhance effectiveness of its induction programmes. This initiative helped the new hires to deliver their best in their respective roles at a very early stage.

The Company revamped its Performance Management Process with the introduction of quarterly feedback mechanism. This has enabled timely course corrections in case of any deviations. The periodic and frequent feedbacks have improved the timeliness of deliverables and efficiency at work.

The Company initiated a variety of programmes like 'Sukarak', 'Pygmalion', 'Pragyan' in the year under review to further the cause of learning & development which is an integral part of its work culture. 'Sukarak' program is aimed at developing in-house trainers who in turn are enabled to deliver various behavioral training programmes to employees across locations. This initiative reinforces the culture of learning and knowledge-sharing among the employees.

Based on the training needs captured in the Performance Management System employees are nominated for various internal and external training programmes.

Based on rigorous assessment of employees within the Company's Competency Framework, the second batch of the 'Pygmalion' programme was launched. It mainly focused at creating learning interventions for selected high-potential individuals to motivate them. The programme infused aspiration in other employees to be a part of this elite group in the organisation.

The Company endeavours to recognise and reward its loyal employees who persistently contribute to the organisation over the years. During the year under review, as a part of the Long Service Awards Program, the Company rewarded employees who completed 5 and 10 years in the organisation.

The Company consistently upgrades its internal processes and policies with changing times to make them more employee-friendly. This is amply reflected in the fact that the Company has revised several policies such as Domestic Travel Policy, Recognise & Reward Policy, Notice Period Policy, Working Hours & Leave Policy and Maternity Leave Policy as per the amendment in Maternity Benefit Act. The Company has also undertaken a host of initiatives to make the workplace more comfortable for its women employees.

The Company has constituted Internal Complaints Committee to prevent, prohibit and ensure redressal of sexual harassment of women at workplace. This Committee ensures strict adherence of law and does quarterly review of the same. FY 2017-18 did not witness any sexual harassment complaints.

The Company continues to strive to facilitate employee & organisation development and aims to leverage these initiatives in the coming financial year.

As on March 31, 2018, the Company had 3022 permanent the employees on its rolls. The Board places on record its sincere appreciation for the valuable contribution made by employees across all levels. The Company attributes its success to the enthusiasm, team efforts, devotion and sense of belonging displayed by its talent pool.

CORPORATE SECURITY & ADMINISTRATION

To compete at global level and inspire confidence in the organisation, the Company needs to provide a secure and safe working environment to its employees, which are the contributing factors to its organisational growth. The CSA department was formed in 2017-18, to herald a cultural change in terms of inculcating discipline, process implementation and to plug leakages in security cum administration by streamlining process like access control, asset protection, risk mitigation, disaster management, fire and electrical safety, surveillance grid, loss prevention, travel management, space management, employee engagement etc.

The Company has established Global Surveillance Operational Centre, which has integrated physical security with technology, increasing overall efficacy and reduced risk. The Company's security and administration was also brought under one umbrella, thereby relieving operations to focus on their core business activity. This enabled recruiting and leveraging CSA SMEs for effective end-to-end security and administration across India — in HO, Branches, Warehouses and at Project sites.

CAUTIONARY STATEMENT

Statements in the report on Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the report. Important factors that could influence the Company's operations include demand and supply conditions affecting selling of prices of finished goods, input availability and rates, changes in the government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.