Management Discussion and Analysis

In addition to historical information, this Annual Report contains certain forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause the difference include, but are not limited to, those discussed in the Management Discussion and Analysis of financial performance and elsewhere in this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis as of the date hereof.

MACROECONOMIC OUTLOOK

According to the World Bank's *Global Economic Prospects Report* released in June 2021, the global economy is set to expand by 5.6 percent in 2021 – its greatest post-recession pace in 80 years. That said, recovery is anticipated to be uneven and largely reflects sharp rebounds in some major economies. In several Emerging Market and Developing Economies (EMDEs), hindrances to vaccination continue to be a burden on activity. The report states that by 2022, last year's per capita income losses will not be fully unwound in about two-thirds of EMDEs. As far as global outlook is concerned, it remains subject to significant downside risks, including the possibilities of more COVID-19 waves and financial stress amid high EMDE debt levels.

The growth rate of the US is expected to reach 6.8 percent in 2021, reflecting a large-scale fiscal support and relaxation of pandemic restrictions. In other advanced economies, growth is strengthening, but to a lesser extent. Among EMDEs, China is anticipated to rebound to 8.5 percent in 2021, indicating the release of curbed demand.

At a modest 4.7 percent in 2022, the growth rate recovery in many EMDEs is being directly challenged by a resurgence of COVID-19 cases and lagging vaccination progress, as well as the withdrawal of policy support in a few instances. Gains in this group of economies are not sufficient to recover losses experienced during the recession induced by the pandemic. Further, according to the report, output in 2022 is expected to be 4.1 percent below pre-pandemic projections. While major drivers of growth had been expected to lose momentum even before the COVID-19 crisis, the trend is likely to be amplified due to the damaging effects of the pandemic.

In the South Asian region, growth is projected to become a stronger-than-expected 6.8 percent in 2021, partly reflecting momentum from the end of 2020. India accounts for most of the improvement since strong activity in the services sector more than compensated for the prolonged economic effects of the pandemic. However, the recovery will not reach the pre-pandemic projections for 2022. In fact, the GDP is expected to be 9 percent lower.

In October 2020, the International Monetary Fund (IMF) had projected the GDP for the Middle East and North Africa region (MENA) to grow by 3.2 percent in 2021, but in April 2021 this figure was revised to 4 percent as countries began recovering from the pandemic. The outlook is expected to vary significantly across countries depending on factors such as vaccine rollouts, as well as exposure to tourism and policies, according to the IMF's latest regional economic report.

As of May 2021, the GDP growth forecast in Singapore for 2021 was 4-6 percent, although the government warned of a larger-than-usual degree of uncertainty caused by the pandemic, as well as new domestic curbs against it. Malaysia's GDP projection was lowered to 4.5 percent in 2021 amid a dramatic resurgence of the COVID-19 beginning in mid-April 2021. As far as the EU is concerned, the economy is forecast to grow by 4.2 percent in 2021 and further strengthen to around 4.4 percent in 2022.

INDUSTRY OUTLOOK

According to Gartner's 2021 Tech Trends e-book, distributed cloud, which provides public cloud options to different physical locations, is expected to be a major trend. In the distributed cloud model, the public cloud company maintains, operates and evolves services, but physically executes at the point of need. This further means that latency issues and privacy regulations (which require data to remain at a specific geography) can be effectively resolved and managed. This allows customers to get all benefits of the public cloud and also avoid the expensive and complicated private cloud. Some distributed cloud styles include: on-prem public, IoT edge, metro-area community, 5G mobile edge and global network edge.

The cybersecurity mesh – a distributed architectural approach to scalable, flexible as well as reliable cybersecurity control – has gained popularity during the pandemic. It enables any person to securely access and use any digital asset, irrespective of the asset's location, while providing the necessary level of security. Additionally, it enables a security model that retains the agility so very crucial in business operations considering the current conditions. At the same time, cybersecurity mesh offers security to companies without any hindrances. The rise of distributed digital assets and users is a major growth driver of the cybersecurity mesh trend.

Prior to the pandemic, companies around the world were primarily focusing on efficiency – this meant that when the disruption hit, many business processes were burdensome and not stable enough to adapt to the circumstances. To achieve resilient delivery during the rebuilding process, Gartner suggests that leaders need to consider designing an architecture – one that is composable, modular and adaptable – enabling better access to information, and augmentation of this information with new insights.

Hyperautomation is very crucial, especially with digital operational excellence already in demand, along with COVID-19 pushing companies to allow more remote, digital-first options. By implementing hyperautomation, companies can achieve both digital operational excellence as well as operational resiliency. However, digitising documents and IT process workflows alone is not sufficient – companies also need to automate tasks, processes and orchestrate automation across functional areas.

Some challenges associated with AI-based projects include lack of maintainability, scalability and governance. A robust AI engineering strategy is necessary for the facilitation of performance, scalability, interpretability and reliability of AI models while delivering the full value of AI investments. In the absence of AI engineering, most companies will fail to move AI projects beyond POCs and prototypes to full-scale production. According to Gartner, companies need to apply DevOps principles across the data pipeline for DataOps and the machine learning model pipeline for MLOps so as to reap the benefits of AI engineering.

The increasing prevalence of 5G technology, which will bring faster broadband speeds and more reliable mobile networks, continues to be yet another trend of the year. Forbes states that the 5G proliferation will also result in enhancements of smart city, smart vehicle, smart manufacturing, and numerous other IoT-based technologies. Transformation across many industries is anticipated to take place as a result of the 5G technology penetration.

As far as business intelligence technologies are concerned, SaaS was adopted by multiple organisations in 2020. A report by Analytics Insight suggests that this is further expected to grow in 2021 as a result of companies embracing the tool so as to gain more flexibility and access to data on the cloud, irrespective of the device used. SaaS is predominantly gaining traction for remote teams that require solutions which will help them optimise business processes and ensure that there are no challenges posed by the remote work model. SaaS focuses on achieving sustainable growth, which is very important in an uncertain period such as the present.

Top Outsourcing Trends

According to a NASSCOM report, enterprise CXOs anticipate that more work will shift from companies' global headquarters to Global In-house Captives (GICs) in India in the next three to five years. Analytics, traditional IT, digital-age IT, domain expertise, leadership quality and cost savings are the six focus areas for Indian GICs to invest in, as per the report. CXOs are also pushing to reduce legacy IT spending so as to fund digital efforts in the new operating model.

As per Technavio's IT outsourcing statistics, the value of the IT outsourcing market is expected to reach USD 486.16 billion by 2024, growing at 5 percent during 2020-2024.

Organisations across multiple sectors, especially fintech, healthcare and telecom, are seeking to accelerate their journey towards digital transformation. Businesses in these industries are following IT outsourcing trends and are the most likely clients who are searching for IT outsourcing services.

Companies are projected to increasingly outsource the migrations, maintenance, security, compliance, and day-to-day troubleshooting related to the cloud. According to Gartner, cloud system infrastructure services is expected to grow from USD 44 billion in 2019 and reach USD 81 billion by 2022.

A Deloitte report suggests that embracing disruptive technologies remains to be a top outsourcing trend this year. Alongside shoring up value and driving down costs, a renewed focus on risk management is expected.

While many players in the IT industry anticipated cost savings to be just an ancillary benefit to objectives such as increasing agility or improving the quality of service in the past, cost reduction has become a top priority this year. A number of companies are prioritising cost savings owing to the pandemic-induced global recession. It is expected that this trend will remain on top in the coming years as well.

Evolving business scenarios, heightened visa restrictions as well as rising client expectations are some reasons as to why it is vital for service providers to become more agile. Collaboration in a world where speed, quality, flexibility and cost are key for firms that are seeking to accelerate overall outsourcing. Deloitte suggests that service providers will need to reimagine how they provide effective remote services, build plug-and-play solutions that enable rapid integration, as well as have contracts that allow them to pivot according to everchanging business priorities.

Lastly, the shortage for technology skills is soaring, according to a KPMG survey. Eastern European countries are increasingly being considered as outsourcing destinations by many companies. Particularly, Ukraine, Poland and Romania are becoming top choices for software companies looking for a software development partner due to the solid talent pool, technological excellence and great price-quality ratio offered by companies in these countries.

MARKET OUTLOOK BY INDUSTRY

Medical Device

In 2020, the global medical devices market was USD 432.23 billion. It is projected to grow from USD 455.34 billion in 2021 to USD 657.98 billion in 2028 at a Compound Annual Growth Rate (CAGR) of 5.4 percent in the forecast period. Increasing investment of MedTech companies in research and development, and favourable scenarios by regulatory authorities for their approval is expected to further boost the industry through this time period.

The global healthcare ecosystem is undergoing a major technological transformation, due to a combination of factors such as changes in spending patterns in the medical devices industry, stronger focus on digitalisation, as well as rising emphasis on partnerships, including collaborations with start-ups, and ER&D service providers.

COVID-19 has positioned the MedTech industry at the centre stage with an unparalleled demand for diagnostic tests, ventilators, and other critical medical supplies. The pandemic has also led to a stronger demand for Remote Patient Monitoring (RPM) tools to monitor patients outside regular hospital settings. As a result, telemedicine, RPM tools, digital therapeutics, electronic healthcare records, and wearables are segments that are predicted to benefit.

One of the most noticeable changes in healthcare today is the use of medical devices that incorporate AI and ML. With the advances of these technologies, the medical device industry is able to diagnose diseases better and earlier, treat illnesses more precisely, and engage with patients more efficiently.

Yet another area of advancement in healthcare is the Internet of Medical Things (IoMT) – a connected infrastructure of medical devices, software applications, health systems, and services to a centralised healthcare IT system for a more refined and in-depth data analysis.

The field of robotics is also drastically changing today's healthcare industry beyond the operating room in performing procedures beyond baseline programming.

Wearable technology has evolved and offers the potential to collect much more advanced data. This technology can also be used to relay vital information to doctors, patients, and health-conscious citizens. Needless to say, digitalisation is sweeping across the medical device industry and there is significant innovation happening in the ecosystem.

Another ever-growing segment is Healthcare Informatics. Currently, Mindteck is working on a major Information System of Oncology for patients who are being treated using radiotherapy. We have ample experience in Patient Monitoring and Digital Therapeutics. We are also in the process of building AI/ML-based tools for large amounts of healthcare data. Lastly, Mindteck is working on designing wireless medical gateways and IoT gateways to connect patients and healthcare providers.

Analytical Instrument

According to Research and Markets, the global analytical laboratory instrument market is expected to grow from USD 87.96 billion in 2020 to USD 92.55 billion in 2021 at a CAGR of 5.2 percent. A rapid growth in population depending on the life sciences market will increase the necessity to conduct lab research, ultimately resulting in a rising demand for laboratory instruments.

Analytical instruments and systems are extensively used for product analysis in various industries and have widespread application in chemical and healthcare research. During the pandemic, the extensively used PCR test is carried out by a bio-analytical instrument. This device assists in precise substance separation, qualitative and quantitative identification, and evaluation with different techniques.

Increasing R&D across the globe is driving demand for analytical instruments. Moreover, with rising sample sizes and data generation through these samples, managing information has become crucial. Annually, industrial analytical laboratories generate large volumes of information that needs to be documented and processed. Information systems are developed to aid in managing the process and outcomes of the analytical tests. This is expected to fuel growth of the market over the forecast period.

Companies within the industry are increasingly investing in nanotechnology, automation and AI for the development of a new generation of instruments that are smaller, faster and more efficient when compared to traditional equipment.

Mindteck has strong domain experience and many years of industry experience in laboratory informatics. As part of an internal R&D programme, we recently developed laboratory business intelligence application software based on an internal platform. Currently, we are also providing business intelligence for the master data of one of the top five leading analytical instrument companies.

Semiconductor

While several industries worldwide have been severely impacted by the pandemic-induced uncertainties, the relatively quick recovery of the global semiconductor industry is an encouraging sign. In spite of the global supply chain disruption, the semiconductor industry's revenue rose to USD 442 billion in 2020, up by 5.4 percent from 2019. During 2021, this is projected to rise to USD 476 billion, as per Statista.

The APAC region continues to be the largest growing producer of semiconductors, with an ever-rising consumption being witnessed by countries such as Japan, China and South Korea. Furthermore, emerging markets such as India, with its highly skilled and experienced workforce and innovative tech capabilities, will play a key role in this growth.

The usage of AI in everyday life is accelerating at a great speed. Technologies such as augmented and virtual realities, voice and facial recognition require high-processing speeds as well as components so as to execute complex mathematical computations. As per a McKinsey study, semiconductor manufacturers are projected to benefit by 50 percent of the total value from this technology stack. With AI going mainstream, this is the best opportunity that the semiconductor industry has ever witnessed, according to the study.

The continued growth in IoT is significant for the semiconductor industry, just as it is the case with other industries such as healthcare, manufacturing, consumer electronics and supply chain management. The increasing popularity of this technology has also led to tech companies branching into the IoT ecosystem.

According to a report by Cybermedia, yet another driver of the industry's growth is the emergence of 5G. It is expected that this will be a factor in the enhancement and adoption of technologies beyond smartphones, such as IoT, edge computing and automotive. Furthermore, semiconductor manufacturers that are not directly part of the 5G value chain are projected to benefit from this growth. Undoubtedly, with these advances, the semiconductor industry is bound to continue expanding in the coming years.

Data Storage

As per Statista, worldwide spending on data storage is expected to exceed USD 78 billion by 2021, due to the growing demand from organisations to store greater volumes of data.

Data storage trends indicate the extent of change witnessed by the industry. According to a report by Sirius, data storage systems have become a mission-critical component of enterprise IT infrastructure. Organisations will need to be prepared for the next wave of data boom by adopting storage solutions that are agile, scalable, secure and flexible. In addition to this, companies are having fewer conversations about how and where to store data, and more about the value that data brings to their business.

Since organisations are hesitant to move all their data to the cloud, the hybrid cloud model continues to be the strategy that businesses continue to choose. This ensures cost-effectiveness and increased data mobility between on-prem, public cloud and private cloud, without compromising on data integrity. Flexibility for collection and segregation (whether on- or off-prem), accelerated time-to-market, as well as easy deployment and management are a few advantages of the hybrid multi-cloud model. A cloud environment, along with AI, learns from the data it gathers, formulates predictions and troubleshoots problems before they occur.

As per Modor Intelligence, a market intelligence and advisory firm, the enterprise flash storage market is forecasted to register a CAGR of 13.67 percent during 2021 to 2026. It is predicted that all-flash storage will be a major component of enterprise data centres and therefore it will continue to be the trend among IT organisations – this is mainly attributed to its low power consumption, high performance, scalability and ease of management. Through all-flash storage, businesses can unlock the power of Non-Volatile Memory Express (NVMe), because of its ability to access high-speed storage media compared to legacy protocols. NVMe is delivering innovation by solving what businesses can do with their data – especially fast data for real-time analytics.

Companies are increasingly minimising the human element and investing in AI as a way to control data storage across multiple platforms to achieve efficiencies that result in cost and risk reduction. AI also ensures that the time taken for data processing is also significantly less.

Software-defined storage solutions are gaining a lot of importance within the data storage industry. These cost-effective and optimised solutions eliminate the complexity of hardware systems. With storage separated from its hardware, companies are able to dynamically adjust its capacity as their data needs change.

The adoption of as a Service (aaS) models continues to be a top trend of the year. Storage as a Service (STaaS) is a cloud-based storage model that allows organisations to pay only for the capacity they use, thereby eliminating the long-term financial liability of investing in storage infrastructure. In the past, companies had to predict how much storage they needed in advance, resulting in the possibility of spending money on storage capacity they would never use. With STaaS, organisations can access capacity on a subscription basis and scale up or down on demand, most likely resulting in significant cost savings.

Energy and Utilities

According to the Business Research Company, the industry revenue is expected to grow from USD 4230.3 billion in 2020 to USD 4534.38 billion in 2021 at a CAGR of 7.2 percent. The growth is mainly because of companies rearranging their operations and recovering from the COVID-19 impact. The market is expected to reach USD 5996.57 billion in 2025 at a CAGR of 7 percent.

Numerous companies in the energy and utilities industry, as well as their host municipalities and customers, announced plans to fully decarbonise over the next 30 years – even in the aftermath of the pandemic-driven shocks to the electricity load. This is mainly attributed to the pressure from an extensive range of stakeholders, including citizens and shareholders. This pressure amplified in 2020, following the Paris Climate Accord recommendations. Deloitte forecasts that as a result, in 2021, the industry's transition and convergence could be accelerated.

IoT solutions are increasingly being used in the energy and utilities industry. These provide better operational efficiency by capturing relevant data, as well as by deploying AI and ML. IoT solutions help in improved decision-making, reduced vulnerabilities and provide safer operations. The usage of drones and sensors to inspect and monitor facilities support predictive maintenance as well as early detection of faults.

According to a report by Deloitte, cloud services will constitute a substantial part of the IT portfolio of companies in the industry. Data analytics is expected to rule in the operations and maintenance of plant and network infrastructure. Furthermore, utility companies are projected to cut down on IT costs by migrating IT infrastructure into the public cloud.

While digital twin technology models a real-life object or process without replacing the physical system, it provides the means to analyse information gathered from its physical twin faster and efficiently. Such analysis gives early alerts to operators and helps fix operational issues. Mindteck has been deriving solutions for the energy and utilities industry for efficiency improvement by leveraging its expertise in IoT and digital twin technologies. We also have extensive experience in smart grid deployment, which provides trends and real-time updates to manage demand response management by utility companies engaged in distribution of water, electricity, oil and gas.

Manufacturing

Prior to the COVID-19 crisis, the manufacturing industry was working to regain the momentum it had attained after the 2008 recession. However, after the first wave of pandemic-driven shutdowns, segment recoveries for various manufacturers have been irregular. Recovery is expected to take longer to reach pre-pandemic levels. This is indicated by Deloitte's predictions based on the Oxford Economic Model (OEM) project, which forecasts a decline in annual manufacturing GDP growth levels for 2020-2021 (-6.3 percent for 2020 and 3.5 percent for 2021).

Predictive maintenance in equipment is extremely critical for manufacturers. Predictive analytics enables companies to monitor equipment performance, as well as automate the data collection process using IoT. It provides manufacturers with better knowledge of when systems might fail, thereby enabling them to conduct predictive maintenance and save valuable time, money, and resources in the process. The introduction of smart devices in the manufacturing industry with Industry 4.0 helps in amplified profits, faster time-to-market, brand and price control, and better customer data. These connected devices with self and remote monitoring capabilities, along with predictive maintenance based on AI/ML over Edge, are aiding manufacturers with automated decisions and operations.

A renewed interest in IoT and heightened emphasis on predictive maintenance signifies that big data is an even larger trend than ever before. As per a report by Hitachi Solutions, one can expect almost every surface to be transformed into a sensor for data collection in order to generate real-time insights for manufacturers. The ability to collect data from a variety of sources, combined with increasingly powerful cloud computing capabilities, enable manufacturers to analyse data in ways that provide them with an ample understanding of their business. This is very essential for manufacturers for reassessing their forecasting and planning models and further develop an effective COVID-19 exit strategy.

Indeed, there is a rising convergence of traditional manufacturing to smart manufacturing. Mindteck has been a part of this transformational journey of many companies. We provide solutions in connected machines with low-cost sensors, wired and wireless connectivity with analytics. Our smart manufacturing initiatives include intelligent manufacturing and automation.

Consumer Electronics

According to Statista, global consumer electronics spending is expected to rise by USD 36 billion and reach USD 1.06 trillion in 2021. By 2025, the unified market is forecast to reach a value of USD 1.16 trillion. The figures of global phone sales, including landline phones, mobile phones and smartphones, are expected to jump by 5.7 percent year-on-year and generate USD 512.1 billion – almost 50 percent of total revenues in 2021.

As the size of the consumer electronics market is growing rapidly, industry players are increasingly investing in R&D. There is also a rapid rise in connectivity and services requirements for newer products.

Tirias Research estimates that the ever-growing demand for remote learning, working, and entertainment, combined with new software and hardware technologies in areas such as gaming, will continue to fuel robust growth in consumer electronics, as well as servers and networking gear for cloud services and 5G.

The demand for new technologies has led to swift product lifecycle development, faster time-to-market and competitive pricing. The rising expectation for more products as a service, and the resulting delivery of better customer outcomes, is changing product development and delivery. Software companies are under significant competitive pressure and striving for quality and customer experiences. These companies are moving to a continuous innovation and delivery model by taking maximum advantage of agile development and cloud delivery. With software also leading the innovation in hardware products, a similar shift is expanding across an increasing number of technology products.

OPPORTUNITIES AND THREATS

Opportunities

- *Niche Expertise and Knowledge:* Clients across the globe value our unique blend of engineering expertise, domain knowledge and technology know-how. Our services and solutions, together with flexible and mindful approach, have consistently provided innovative options for R&D spend, cost and time advantages for technology investments, reduced integration risk, improved user productivity, and positive client experiences. The impact of the pandemic is anticipated to increase demand for wearables, localised asset tracking, remote monitoring, and point-of-care devices – all part of the Mindteck Solutions portfolio.
- *Emerging Technologies:* Mindteck remains committed to building capacity in newer technologies. Currently, its legacy expertise in embedded systems, enterprise applications and testing are a powerful complement to competencies in data services, such as AI/ML, and cloud, cybersecurity, and IoT.
- *Long-standing and Diverse Client Base:* Our client relationships are strong, with some lasting for over 18 years across industries and geographies. Additionally, we have engaged with industry leaders, including the top 5 data storage companies, top 3 medical device companies, top 6 semiconductor companies, and top 7 analytical instrument companies.
- *Offshore Delivery Centres:* Mindteck's global delivery capabilities provide clients – multinational, in particular – the specialised knowledge and expertise they are increasingly seeking. The Company's offshore delivery centres in Kolkata and Bengaluru, India provide a skilled pool of talent, agile processes, plus cost and productivity efficiencies for new, enhanced, and reengineered product development, software development and maintenance, as well as testing.
- *Practices Team:* Enable continuous innovation and provide subject matter expertise in select technologies, such as data services, AI, IoT, cloud and edge computing for our focused industries – semiconductor, medical device, analytical instrument, data storage, energy and utilities, insurance, and consumer electronics.

Threats

- *Fierce Competition:* Mindteck continues to face strong and varied market competition from domestic and international service providers who are both large and small. Nevertheless, our long-standing and enviable client relationships, financial strength, as well as niche knowledge and expertise, provides an edge for remaining relevant.
- *Increased Cost Burden:* Most of our top-tier clients use upwards of ten or more service providers. Higher labour and benefits costs continues to impacted margins, thus threatening profitability. As in the recent past, Mindteck is striving to overcome such pressures via increased operational efficiencies, new sales models and, as appropriate, pitching the outcome-based business model.
- *Consolidations:* M&A deal making appears to have become the way for developing and maturing companies to unlock growth and build capabilities to survive or win. Fallout from the pandemic, improved credit availability, and attractive interest rates could be key factors that will heighten the deal competition. Mindteck is currently focused on creating a strong partnership ecosystem, building delivery capacity and resource capabilities, improving client experience, as well as developing a future-ready solutions portfolio.

RISKS AND CONCERNS

Risks

- *Offshore Delivery:* As per Technavio's IT outsourcing statistics, the value of the IT outsourcing market is expected to reach USD 486.16 billion by 2024, growing at 5 percent during 2020-2024. According to a NASSCOM report, enterprise CXOs anticipate that more work will shift from companies' global headquarters to Global In-house Captives (GICs) in India in the next three to five years. Analytics, traditional IT, digital-age IT, domain expertise, leadership quality and cost savings are the six focus areas for Indian GICs to invest in, as per the report. CXOs are also pushing to reduce legacy IT spending so as to fund digital efforts in the new operating model. Mindteck operates an offshore development centre in India supported by highly qualified and talented teams with expertise in end-to-end product engineering, IT and testing. World-class infrastructure, best-in-class tools, methodologies and processes, and international quality accreditations are more of the many reasons why clients opt for this cost-efficient and high-performance model.
- *Global IT Skills Shortage:* According to a KPMG survey, the shortage of technology skills is soaring. This often delays staffing for new projects. Mindteck reduces this risk by continually building the talent database and, when necessary, partnering with other companies who have their own talent pool. The Company, however, recognises the potential risks associated with changing US immigration policies as well as the pandemic's impact on evolving workforce environments.
- *Attrition Rate:* Market demand for highly skilled employees impacts attrition. Mindteck strives to mitigate this challenge through an Employees-First approach – continually focusing on providing a good work environment, a positive work-life balance and a strong culture. We also have a curated L&D programme, and an innovative endeavour under our We Care umbrella – Consultant Care, which helps retain valuable IT talent and avoid project disruption.
- *Reputation:* There has always been a risk of direct or indirect actions adversely impacting Mindteck's reputation. Clearly, the risk has become more difficult to manage due to social media and other channels and venues where information exchange is quick and easy. A small team continues to monitor and manage such activities.

Concerns

- *Enormous Uncertainty:* Prior to the global spread of COVID-19, economic, geopolitical, regulatory uncertainties were causes for concern to the Company. This uncertainty remains and is further exacerbated by the pandemic's continuing waves and a relatively slow vaccination progress in many countries.
- *Reduced Demand:* The COVID-19 pandemic paused, and in some cases, halted business that was anticipated to either close out in 2020-21 or put us on a good footing to start 2021-22. According to a NASSCOM report, the majority of Indian tech companies expect to focus on recovery and restart through 2021.
- *Selling, General and Administrative Cost Containment (SG&A):* Throughout 2020-21, we continued our efforts to reengineer internal processes and systems, as well as restructure parts of the organisation, in order to contain costs and work as an ensemble more efficiently and productively.

DISCUSSION ON FINANCIAL PERFORMANCE

Business

During the year under review your Company recorded Consolidated Revenue of Rs. 2,867.2 million as against Rs. 2,761.3 million in the previous year. Of the revenues that were recorded, 54.6% is attributed to the US and the rest to Europe and Asia.

Mindteck's Consolidated Net Profit for the year stood at Rs. 108.6 million, as against net loss of Rs. 648.0 million in the corresponding previous year. On an operating margin level, Mindteck recorded Consolidated EBITDA (including other income and excluding exceptional items) of Rs. 241.7 million this fiscal year as against of Rs 62.4 million last year.

Share Capital

As on March 31, 2021, Mindteck has an issued share capital base of 2,56,21,898 equity shares of Rs. 10/- each at face value. All shares are fully paid up. In addition, 38,579 equity shares are reserved for allotment to certain allottees as at March 31, 2021, in relation to discharge of consideration for the acquisition of Chendle Holdings Limited, one of the Company's wholly owned subsidiaries. The allotment has been pending owing to the non–availability of Permanent Account Number (PAN) for these shareholders.

Further, issued capital also includes 4,16,000 equity shares allotted to the Mindteck Employees Welfare Trust (MEWT). The trust was set up with the objective of transferring its holding in Mindteck (India) Limited to deserving employees, by way of share-based compensation. Owing to the consolidation of the Trust's accounts with that of Mindteck, the number of shares and corresponding capital and share premium held by the Trust are deducted from the issued share capital and securities.

Reserves and Surplus

Mindteck has accumulated losses of Rs. 89.7 million in the Consolidated Balance Sheet as at March 31, 2021. Shareholders' Funds, excluding capital reserves, increased from Rs. 1,216.5 million in FY 2020 to Rs. 1,318.7 million in FY 2021 on account of profit earned during the year.

Non-Current Liabilities

Non-Current Liabilities in the Consolidated Balance Sheet include rental deposit, deferred rental income, provision towards service concession arrangement, lease liabilities, current portion of deferred social security taxes and provision for employee benefits. Non-Current Liabilities decreased from Rs. 174.9 million in FY 2019-20 to Rs. 82.0 million in FY 2020-21. The decrease is mainly due to derecognition of lease liabilities and reversal of provision created towards future obligation under service concession arrangement with Bhopal Municipal Corporation (BMC). During the year ended March 31, 2021, the Company invoked force majeure clause and terminated the contract with BMC and accordingly, reversed all the assets and liabilities created due to termination of contract.

Current Liabilities

Current Liabilities in the Consolidated Balance Sheet include borrowings, trade payables, provision for employee benefits, provision for tax, and other current liabilities. Current Liabilities increased from Rs. 373.8 million in FY 2019-20 to Rs. 585.8 million in FY 2020-21.

The US Federal government in the wake of COVID-19 pandemic has provided support to business through Paycheck Protection Program (PPP). Mindteck, Inc. has obtained a benefit under this scheme for Rs. 1,806 lakhs during April 2020. This loan is eligible for forgiveness on fulfilment of certain conditions. Mindteck, Inc. has applied for forgiveness.

Trade payables increased from Rs. 128.4 million in FY 2019-20 to Rs. 135.0 million in FY 2020-21. Other current liabilities comprise unearned income, statutory liabilities such as PF, TDS, etc., non-current portion of deferred social security taxes and payroll payables amounting to Rs. 75.5 million as at March 31, 2021 compared to Rs. 43.8 million as at March 31, 2020.

Provisions under Current Liabilities stood at Rs. 49.9 million as at March 31, 2021 compared to Rs. 51.5 million as at March 31, 2020.

Non-Current Assets

Consolidated Non-Current Assets include Property, Plant and Equipment, Right of use asset, Intangible assets, Investment property, Deferred Tax Asset (net), long-term loans and advances and other non-current assets.

Mindteck invested Rs. 5.6 million in Property, Plant and Equipment during the fiscal year, which primarily relates to Computer Equipment, Office Equipment in India and US, and leasehold improvements.

During the year ended March 31, 2021, the Company invoked force majeure clause and terminated the contract with BMC and accordingly, reversed all the assets and liabilities created due to termination of contract. As a result, company has de-recognized its intangible assets amounting to Rs. 71.4 million.

Decrease in right of use assets from Rs. 108.4 million in FY 2019-20 to Rs. 65.0 million, due to derecognition on termination of contract and amortisation during FY 2020-21.

Loans under Non-Current Assets comprise security deposits totalling to Rs. 34.1 million as at March 31, 2021 compared to Rs. 38.7 million as at March 31, 2020.

Other Non-Current Assets consist of prepaid expense amounting to Rs. 1.3 million as at March 31, 2021.

Current Assets

Consolidated Current Assets include trade receivables, cash and bank balances, investments, short-term loans and advances, and other current assets.

Mindteck's accounts receivables as at March 31, 2021 amounts to Rs. 503.6 million, representing about 89 days of sales. All debts doubtful of recovery have been provided for in the financial statements.

Cash and Bank balances amounted to Rs. 776.6 million compared to Rs. 293.9 million in the previous year which includes both rupee and foreign currency accounts.

Loans under Current Assets include security deposits. The balance as at March 31, 2021 stood at Rs. 4.2 million compared to Rs. 2.5 million as at March 31, 2020.

Other current assets include prepaid expenses, advances recoverable and balances with government authorities. The balance as at March 31, 2021 stood at Rs. 56.8 million.

Investments

Mindteck (India) Limited has six wholly owned subsidiaries and two step-down subsidiaries as at March 31, 2021. The nature of operations of these subsidiaries is as follows:

- Mindteck, Inc. - Operating company
- Mindteck Singapore Pte. Limited - Operating company
- Mindteck (UK) Limited - Operating company
- Mindteck Middle East Limited WLL - Operating company
- Mindteck Software Malaysia SDN. BHD. - Operating company
- Chendle Holdings Limited - Investment arm, holding stock in Mindteck, Inc., US
- Mindteck Germany GmbH - Selling and marketing company (step-down subsidiary)
- Mindteck Canada, Inc.- Selling and marketing company (step-down subsidiary)

Note: Mindteck Solutions Philippines Inc. and Hitech Parking Solutions Private Limited are under strike-off process.

Internal Control Systems and their adequacy

The CEO and CFO certification provided in the annual report discusses the adequacy of our internal control systems and procedures.

RESULTS OF OPERATION

Income

The Company recorded consolidated revenue from operations of Rs. 2,867.2 million in FY 2020-21 as against Rs. 2,761.3 million in FY 2019-20. The items of other income include rental income from owned property, net foreign exchange gain, government grants received as part of COVID-19 relief, interest income from deposits, rent concession and other miscellaneous items. The company recorded other income of Rs. 45.5 million in FY 2020-21 as against Rs. 17.5 million in FY 2019-20.

Expenses

Employee benefit expenses and cost of technical sub-contractors for the FY 2020-21 stood at Rs. 2,438.9 million as against Rs. 2,409.5 million in FY 2019-20. Manpower expense decreased to 85% of revenue compared to 87% last year.

Finance cost in FY 2020-21 was Rs. 16.5 million as compared to Rs. 22.6 million in FY 2019-20. The decrease is mainly due to reduction in interest expense on service concession arrangement on account of Force Majeure clause invoked by the Company during the FY 2020-21.

Other expenses of FY 2020-21 amounted to Rs. 232.1 million compared to Rs. 306.9 million last year. The decrease is mainly due to reduction in travel and other expenses due to impact of COVID-19 and Provision created on doubtful input credit receivable during FY 2019-20. Mindteck will continue to focus on cost-effective measures to further improve productivity and increase efficiency in the operations. Tax expense for the year amounting to Rs. 52.7 million (net) is the aggregate of current tax liability in all tax jurisdictions in which the Company operates, and deferred tax. Tax provision in India is based on the normal tax computation in accordance with the prevailing tax laws.

Operating Profit and Net Profit

Consolidated EBITDA (including other income and excluding exceptional items) for the year amounted to Rs. 241.7 million as against Rs. 62.4 million the previous year. Net profit is Rs. 108.6 million in FY 2020-21, as against Net loss of Rs. 648.0 million in FY 2019-20.

Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations for Standalone Financial Statements:

Sl. No.	Description	As at March 31, 2021	As at March 31, 2020	Reasons for variance
i	Debtors Turnover	5.32	4.05	
ii	Inventory Turnover	NA	NA	Not applicable to IT Industry
iii	Interest Coverage Ratio	NA	NA	No Interest on Loans
iv	Current Ratio	3.24	2.66	
v	Debt Equity Ratio	0.00	0.00	
vi	Operating Profit Margin (%)	11.96%	1.25%	During the year ended March 31, 2020, the Company had made an impairment provision of Rs. 566.6 million towards the carrying value of investment in Mindteck, Inc. and Mindteck Singapore Pte. Ltd., a provision for impairment of loan amounting to Rs. 16.8 million, provision on receivables and intangible assets under a service concession arrangement amounting to Rs. 15.9 million which are of exceptional nature, and also made a provision on Input Credit on Service Tax amounting to Rs 18.0 million.
vii	Net Profit Margin (%)	8.20%	(64.18%)	
viii	Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof	7%	(49%)	

Human Resources Initiatives

During a year marked by varying fluctuations in the spread of COVID-19, the Company placed a special focus on ensuring employee well-being, health and safety. Specifically, this included:

- Providing new and current employees the required tech and communications support to work from home.
- Conducting virtual Employee Connect gatherings to keep the dialogue open between employees and their Managers, the CEO, and HR.
- Administering a variety of technical, behavioural and leadership development training sessions online – curated to upskill, future skill, cross-skill, and foster learning overall.
- Offering dental and eye check-up sessions, an exclusive COVID insurance policy, as well as opportunities to attend educational programs such as yoga and meditation, ergonomics tips, and maintaining a healthy diet for immunity.

The cadence of work-from-home notifications, cancelled business travel measures, and office lockdowns per governmental guidelines flowed as appropriate for each region in our global footprint.

Attrition Rate: Mindteck's annualised attrition rate during 2020-21 was 19.3%.

Headcount Details:

Year	Permanent	Contractual	Total
2020-21	672	42	714
2019-20	625	16	641