

Management Discussion and Analysis

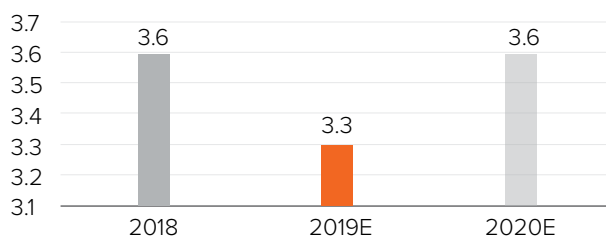
Global Economic Scenario

The year 2018 witnessed the growth of the global economy by 3.6%. The economy bounced back with resilience despite the presence of multiple hindrances. As trade tensions rose between the US and China, several economies undertook various positive initiatives, aiming to reverse the tightening of financial conditions and reducing inflationary pressures. In order to address concerns, the US Federal Reserve signaled no further increase in interest rates till the year-end. China also brought about improvements in its fiscal and monetary policy to counter the negative effects of trade tariffs with the US. With no visible ease in the trade tensions in the near future, the trade war may have a cascading effect on other global economies as well.

The advanced economies grew at 2.2% during the year with a softer growth reported in exports thereby resulting in waning consumer and business confidence. However, the emerging and developing economies witnessed a growth of 4.5% and achieved a decline in inflation to 3.5% during the year. Consumer price inflation remained muted across advanced economies, given the drop in commodity prices. Wage growth was seen picking up across most advanced economies, notably in the US and UK. Further, inflation pressures eased towards the lower end of the central bank's target range with the drop in commodity prices (Indonesia) and slowdown in food inflation (India).

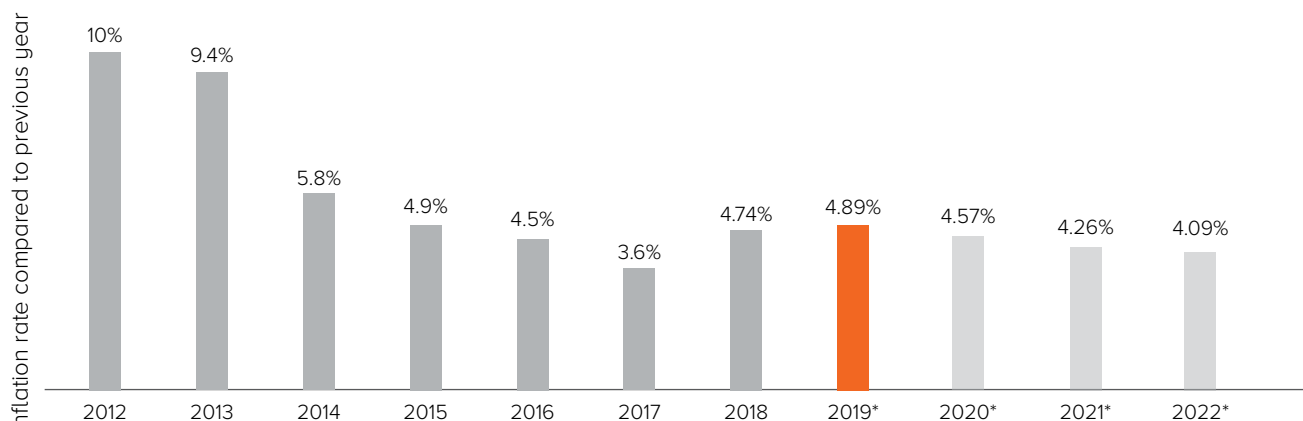
The growth is expected to slowdown in 2019 briefly at 3.3% before returning to an improved 3.6% in 2020. The decline in the growth in 2019 is on account of risks and challenges faced by the economies. The growth is anticipated to pick up owing to a number of factors. The ongoing buildup of policy stimulus in China and expected improvements in global financial market sentiments could have positive impact to augment an improved growth. Further, some diminishing temporary drags on growth in the euro area, and a gradual stabilisation of conditions in stressed emerging market economies, including Argentina and Turkey can provide impetus for the recovery of the global economy. Beyond 2020, global growth is set to stabilise at about 3.6% over the medium term, sustained by the increase in the relative size of economies, such as those of China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies. *(Source: IMF)*

Global Economic Growth (%)



E: Expected (Source: IMF)

Inflation Rate in India (2012-2022)



(Source: IMF)

Indian Economic Scenario

India witnessed a GDP growth of 6.8% in FY19, being the fastest among the developing economies of the world. The growth was attributed to escalation in consumption, investments and manufacturing sector. The index of industrial production also grew, reflecting a sturdy demand for capital equipment, construction goods, and consumer durables. The agriculture sector did face challenges in recording steady growth targets coupled with widening current account deficit and rising inflation.

After rebounding in FY18, imports slowed to 9.8% in FY19, reflecting sluggishness in imports other than oil. Growth in import of capital goods declined in H2 FY19 in line with weakening economic sentiments. Further, exports grew by 8.9%, slightly slower than in the previous year. The growth in exports was productively buoyed by strong growth in refined petroleum, aided by the rise in global prices. Also, healthy growth in exports of electronics, chemicals, pharmaceuticals, machinery, and textiles were noticed even though contraction in exports of metals and leather products was noted.

Net foreign direct investment inflows were charted at USD 32 billion in FY19, slightly higher than the previous year. By contrast, net portfolio investment flows turned negative with strong outflows from India in the first half of FY19 as investor sentiments dampened in response to rate hikes in the US, rising oil prices, a worsening current account deficit, and uncertainty over India meeting its fiscal deficit target. The Indian rupee depreciated by 7.2% against the US dollar during FY19, reflecting the widening current account deficit and tepid foreign investment flows.

The country's economy is expected to grow at 7.2% in FY20. This is mainly on the backdrop of strengthening domestic

demand in India, with benefits of structural reforms such as GST and bank recapitalisation taking effect. Higher financial inflows to the commercial sector augur well for economic activity. Private consumption is projected to remain strong and investment growth is expected to continue in response to improved bank and corporate balance sheets and more competitive domestic firms. Manufacturing is likely to benefit from lower borrowing costs and rising demand for consumer goods, aided by government measures to boost disposable incomes. (Source: IMF, ADB, RBI)

Company Overview

The Company is engaged in the business of Consumer Products (Appliances, Fans, Lighting), EPC (Illumination, Power Transmission and Power Distribution) and Exports. Powered by a pan-India presence and a market leading position in the industry, the Company functions through 20 branch offices which are duly supported by a chain of approximately 478 distributors, 201364 retail outlets and 504 consumer care centers. Besides this, the Company has also expanded its footprints in international market, catering to more than 40 countries in South East Asia, SAARC nations, the Middle East and the African continent. The Company's partnership with reputed global brands such as Morphy Richards (a leading consumer appliance company in UK) and its acquisition of Nirlep Appliances Private Limited has enabled it to enrich its brand and product portfolio immensely.

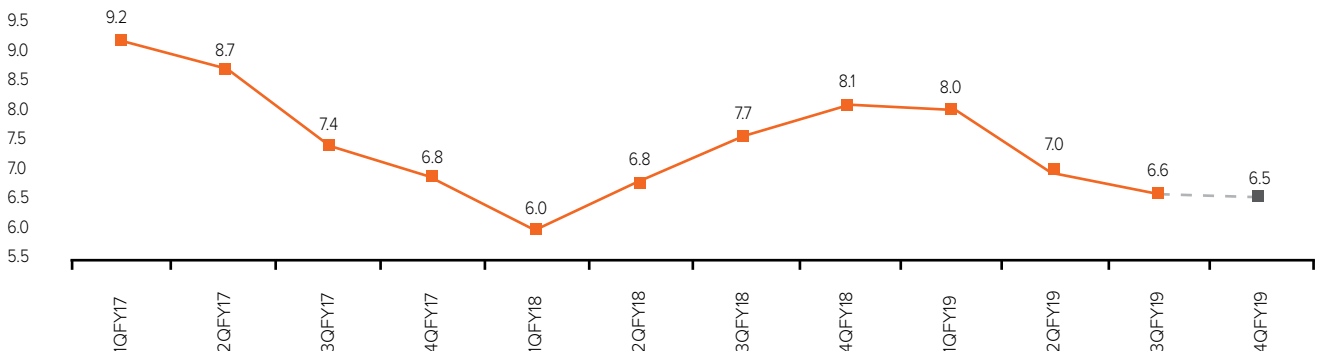
₹6,673 crore

Revenues in FY19

3217

Number of employees
as on March 31, 2019

Quarterly GDP growth of India



(Source: MoSPL, GoI)

SWOT analysis

Strengths

- Leveraging more than eight decades of experience in design, development and manufacturing of the products that are unique from the competitors.
- Diversified product portfolio catering to various consumers' needs in Consumer Appliances.
- Best-in-class distribution reach across 675 districts of India.
- Strong brand reputation and recall in the rural as well as the urban market.
- Best-in-class consumer service and a strong market presence established through 20 offices and 504 consumer care centres.
- Capability to service more than 2 lakh retail counters every week.
- Luminaires and Illumination businesses ranging across commercial, industrial lighting, stadium, street lighting, solar and smart lighting solutions.
- Experienced team for Power Transmission and Power Distribution businesses.
- Strong credentials and financial status to bid for future EPC contracts.

Weakness

- Decline in its market share in recent years in fans and consumer lighting due to increased competition. However, the Company has now embarked on steps to regain the market share.
- Limited presence outside India. A faster expansion into the international territories (for its Consumer Products as well as EPC business) will help de-risk the Company from potential slowdown in the domestic market.

Opportunities

- Although the Company has numerous products in its portfolio, the introduction of new and innovative products through its in-house Research & Development team would increase its market share.
- Greater adoption of smart and connected lighting solutions for residential and commercial purposes would make the product more appealing to the consumers and increase in revenues.
- Increasing focus on Smart cities is expected to provide a fillip to integrated, smart illumination offerings.
- EPC business is expected to provide opportunities in sub-stations and railway electrification projects.

Threats

- Small electrical appliances and consumer lighting is a low entry-barrier business, thereby resulting in constant entry of new players into Company's product categories.
- Rapid technological change in lighting is driving value erosion and enhancing the need for continuous re-evolution.
- Hyper-competitive bidding for EPC projects leads to underpricing and low/adverse margins.

Insights into Company's Operations

Consumer Facing Businesses

Consumer Products Market Overview (Small Appliances, Fans and Lighting)

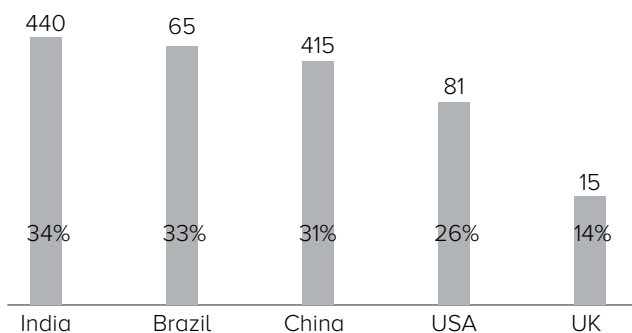
Owing to the rising population of the country, the market is marked by strong growth. In FY19 the sector witnessed a growth of 6% in small appliances, 12% in fans and 12% in lighting segments in India, backed by the rise in consumption, growth in per capita income and urbanisation. Value growth in small appliances was slightly muted and the market witnessed a poor season for Air Coolers.

Moreover, the investments towards rapid electrification of households in rural India by the government is widening the consumer base for lighting, fans and small appliances. While on the one hand, the sector is observing consolidation from unorganised retail to organised trade channels as well as modern retail chains and e-retailers, on the other hand there is greater rural demand and penetration through smaller, unorganised retailers and traditional trade channels.

Increasing urbanisation, consumerism and lifestyle upgradation is also leading to consumers becoming more demanding and diverse in their preferences and seeking consumer goods with enhanced features, finish and design. As a result, manufacturers are introducing newer technologies, innovations and design in order to deliver differentiated products in the market.

The fiscal gone by, transformed the industry with the introduction of unique innovations like smart appliances which included energy saving tools, wireless, sensor-driven products, voice command for hands-free movement, digital features and mobile integration. In addition to this, the 'Make

Millennial population (in millions) as a% of country's total population



(Source: UN population stats, Deloitte Analysis)

in India' wave has also provided a boost to the industry as companies are increasing their investments in Indian-specific innovation and products. Although in the beginning, FY19 was conjectured to be a washout for the industry, owing to unseasonal rains, a weak festival season (Onam and Diwali) and floods in South India, the industry recovered positively.

Outlook

The Indian consumer small appliances, fans and lighting industry is projected to witness a growth of 9%, 11% and 14% respectively in FY20. Besides an improvement in consumer demand, factors like rising disposable income, evolving lifestyle habits and reduction in GST rates for everyday essential goods are likely to contribute towards market expansion. Considerable opportunities in India's overall retail segment coupled with the demographic dividend and rising Internet penetration is anticipated to propel the growth in the sector. Further, rural electrification and rise in rural incomes (including through Governmental support schemes) is expected to expand the market for this sector.

Segment overview

With a wide range of products under each category, the Company caters to the trending and preferred choices of the new-age customer and seeks to generate experimental inputs in order to essay unique outcomes in the form of differentiated products. The consumer products segment accounted for 41% share in the total revenue amounting to ₹ 2740.76 crore in FY19, registering a growth of 22.99% compared to the previous year. The growth was achieved mainly due to improvement in product efficiency, introduction of 72 new products in different markets across India and continuously catering to the customers' needs and expectations. These newly introduced products amassed massive popularity in the market and resulted in total sales surpassing the business plans made for these products.

Range Reach Expansion Program

The main focus of the Company with regard to the consumer products segment has primarily been on ensuring sustained availability of products and after-sales services across India. Through its Range Reach Expansion Program (RREP), the Company has derived the following benefits:

- Addition of more retail outlets including Kiranas thus expanding its reach and increase in the number of products being sold at each counter, enhancing its range.
- Eradication of the wholesale and weighted distribution, resulting in expansion of its reach and presence in over 600 districts across India.

- Price stability across geographies which assured channel partners with more security, confidence and better returns on their investments.

In addition to all these measures, the Company also circulated printed uniform price list to all retailers in the area irrespective of the quantity, provided door order delivery within 24-36 hours on freight paid basis and provided free home service within 72-hours for warranty-based products to increase its competitiveness and maintain its market leadership in key segments.

Key Product Highlights of FY19

- Launched 4 new mixer grinders specifically designed for the consumers in the southern markets.
- Launched sub-economy ceiling fan models in Feb'19, which created a good demand in the market with a sale of ~1.9 lac units reported at the year-end. The overall sales contribution of new models was recorded at 20% for the year.
- Introduced IoT air coolers that helped in gaining huge traction in the market. The Cool.iNXT model launched in the previous year under the coolers segment has been able to replicate its popularity this year as well, owing to the fresh colour scheme used in the product. The TC 103 DLX Digital & DC 102 DLX Digital models also recorded high sales on account of their convenient features like hand grabs, large water inlet, digital display and remote control holder.
- With demand for kettles primarily noticed among the customers in East and North of India, the Company sold nearly 20000 units, double the average of its earlier similar capacity model, within six months of its launch. Further, a new model Juvel designed in the shape of a prism, was also launched with a capacity of 1.5 litres.
- The iron segment addressed the consumer demand by launching dual tones for all the models. These were well accepted in the market and contributed to nearly 17% of revenue from dry irons for the year. Additionally, a 1400 watts steam iron was also launched in Q4 that contributed to approx. 3.5% of the steam iron sale. In the Fans segment, a new concept of anti-germ fans was launched in the year-end which was well received by the consumers.

29%

YOY growth in Domestic Appliances Segment

30%

YOY growth in Consumer Appliances Segment

42%

Share of total revenue

Door Delivery within 24-36 hours

On Freight paid basis

Free Home Service

Within 72-hours for warranty-based products

Acquisition of Nirlep Appliances Private Limited

In a recent acquisition sanctioned through the Share Purchase and Shareholders Agreement on 15th June, 2018, the Company has acquired 79.85% shares of Nirlep Appliances Private Limited (Nirlep). A non-stick cookware giant, Nirlep has pioneered the concept of non-stick technology in India. Launched in 1968, the brand is credited for introducing non-stick cooking appliances in Indian households and enjoys the honour of recording many firsts - from exporting professional non-stick cookware to Europe, to emerging as the first brand to manufacture induction compatible non-stick cookware in India and also set up a fully automatic non-stick cookware manufacturing plant in India.

As a result of this acquisition, Nirlep has become a subsidiary of the Company. This has helped the Company to add a very strong brand that complements its product portfolio and also provides access to its manufacturing facilities.

Synergies derived:

- Nirlep's products complement the product portfolio of the Company.
- Access to the state-of-the-art manufacturing facility.
- Skilled and experienced employees.
- Brand value and intellectual property of Nirlep.

Catering to the premium segment through Morphy Richards

Morphy Richards (MR) is a prominent home and kitchen appliance brand in UK and is present in India since 2002 through the Company. The brand has presence in over 22 categories including premium range of Mixer grinders, Juicer mixer grinders, Juicers, Food processors, Stand mixers, Table blenders, Saute & Soup makers, Hand blenders, Hand mixers, Choppers, Pop up toasters, Sandwich makers, Electrical kettles, Coffee makers, Oven toaster grillers, Microwave ovens, Induction cookers, Rice cookers, Dry and Steam irons, Water heaters, Personal care and Room heaters.

During the year under review, the position of MR further strengthened on account of expansion in the range of rice cookers (3 variants in 1.5 litres and 1.8 litres), kettles (2 variants), steam iron (1 variant) and coffee maker (1 variant). In order to expand its reach, MR business units leveraged the Company's distribution network and also implemented the RREP which ensured availability of MR products with over 450 distributors and 200000+ retailers across the country.

30%+

Growth in Modern Format Retails during FY19

25%+

Growth in Government business during FY19

14%+

Growth through E-commerce vertical during FY19

Free Home Service

Offered across the country for MR products

Pan India service network

Established for MR products

Alternate Sales Channels

To tap further into the existing markets with stronger penetration and ensure the availability of products across non-general-trade consumer sales touch points, the Company also enjoys a strong presence across various alternate sales channels. In FY19, the Alternate Sales Channel contributed approximately 35% of the total share in revenue. The various channels through which the Company leveraged its offerings are:

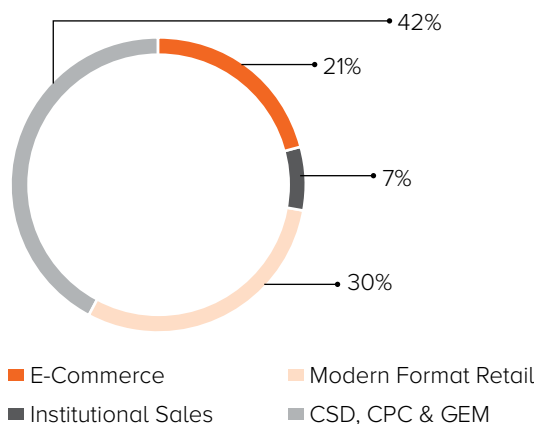
- E-commerce,
- Modern Format Retail (MFR) stores,

- Institutional Sales,
- Canteen Stores Department (CSD),
- Central Police Canteens (CPC)
- Government E-Marketplace Portal (GEM).

The Internet has changed the consumer's purchasing trends, which has rapidly evolved from traditional malls to online portals. As a result, the Company has made its products available on its own website, www.bajajelectricals.com, and on other web portals such as Amazon, Flipkart and Paytm. The e-commerce sales at the Company have increased by approximately 56% over the last year, accounting for 6.5% of the total revenue of the consumer products.

E-commerce has enabled the Company to increase its reach and visibility as it eliminates intermediaries like wholesalers and retailers and has also increased the profit margins of the segment. Sales from the e-commerce vertical has been gaining momentum steadily and is expected to increase further in the coming years.

Sales break-up of Alternate Sales Channel



Efficient after-sales services – commitment to consumers

In today's highly competitive consumers look for transparency, choice, convenience, and value for money. Thus, offering excellent after sales service spells numerous benefits for the Company like building trust and consumer referrals that can lead to more business opportunities.

The Company recognises that after-sales service is an integral aspect of today's consumer-centric world and accordingly, has taken necessary steps over the years to expand its dedicated consumer care centers to be closer to its consumers. The Company has attempted to eliminate any discrepancies in the customer service and has improved it considerably offering free installation and free demonstration

for some of its products. These service initiatives have helped significantly improve the overall consumer experience.

The Company's reach in providing home service extends to over 17,000 pin codes out of 19,000 pin codes in the country, which amounts to 89.5% coverage. This is one of the major strengths for the Company as none of the competitors in the industry has such a wide presence in the country.

The after-sales services provided by the Company are broadly categorised into demonstration, installation and repair. After providing services, the Company also takes feedback from the consumers via ratings through online real time basis. The ratings are obtained through 3 emojis viz. 😊 / 😐 / 😞 which indicate 'Delighted', 'Satisfied' and 'Non Satisfied'.

The Company's internal database of all complaints received from consumers enables service centers and engineers to address the concerns and also serves as a record for future reference. The Company has empowered retailers with one-touch convenience app 'Bajaj Electricals Parivar' to track customer details and dedicated consumer service centre that operates 365 days (except 3-4 national holidays).

17000+ pincodes

Covered by our consumer care services out of 19100 pincodes in India

675

Districts covered out of 723 in India

81

Number of employees in consumer care

504

Service centers in about 376 towns across the country (almost double of about 264 service centers that the Company possessed 5 years ago)

Opportunities

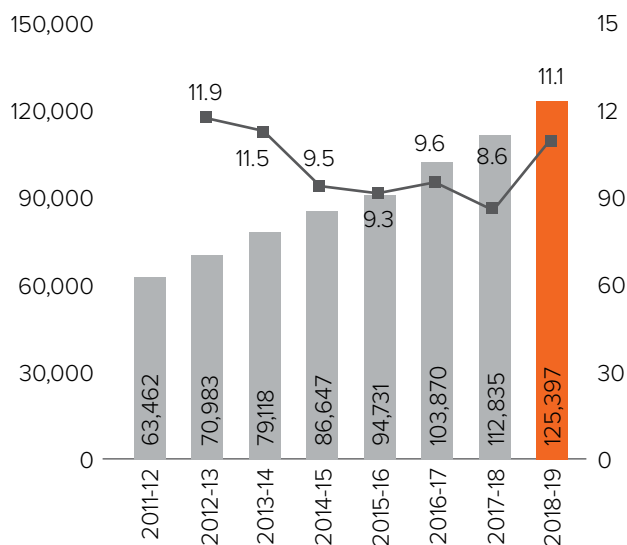
- Rapid Urbanisation**

The expectations of higher-income and better living standards attract increasing number of people from villages to settle down in towns and cities. The migration from the rural to the urban areas has led to an increasing demand for consumer products, whereby companies are tapping the demand opportunities by ensuring the availability of diverse products at various price ranges to match the needs of the consumers.

- Increase in volume of consumption**

With rise in per capita incomes, the spending capacity of consumers has gone up considerably. Moreover, the ever-growing young and affluent population, changes in consumer behaviour and spending patterns are mutually leading in a new era for the domestic consumer appliances market. This has resulted in higher consumption of premium and luxury consumer appliances in the market.

Per capita Income growth in FY 2019



Note: Per capita net national income at current prices

Source: Central Statistics Office

- Energy efficient products**

New-age consumers demand easy access to services, along with unwavering assistance at every purchase for a seamless buying experience. In order to address their needs, brands are coming up with energy-efficient appliances that are not only environmental friendly, but also help consumers keep their utility bills in check.

- Growth in number of nuclear families**

The rapid growth of population, increased urbanisation and the availability of real estate spaces have resulted in increase in nuclear families in the country. The growing number of households has not only raised the demand for necessities but the combined mix of higher purchasing power and willingness to spend has resulted in the nuclear family's shifting focus towards luxury/semi-luxury products. This, in turn, has led to higher demand for durables in the country.

Threats

• Increasing Competition

The consumer product industry consist of many small and big players leading to intense competition in the domestic and international market. India enjoys the presence of a highly skilled workforce that is available at a comparatively lower cost. This advantage is, however, offset by the high manufacturing cost structure and lack of economies of scale. While the cost of finance, power and transportation together add a cost disability of 7-8%, the logistic challenges pertaining to availability of ports and quality of infrastructure also increases the cost of manufacturing in India. Moreover, the country also faced high borrowing cost, interest rates ranging from 10 to 14% compared to approximately 5-6% in countries such as China, Vietnam, Japan and South Korea.

• Free Trade Agreements (FTAs)

India has signed FTAs with several countries such as Singapore, Thailand and ASEAN, under which it is required to steadily reduce and finally eliminate the tariff rates on the consumer durables of other countries. This has resulted in components of finished products attracting import duties at higher rates as compared to duties applicable on finished products.

• Compliance costs

The sector has been suffering an increasing cost burden due to the rising compliances in the recent period. As a part of quality control compliance, the sector is required to ensure testing and certification of its appliances by the Bureau of Indian Standards (BIS). This causes delay in the testing and certification of the products due to limited number of BIS approved labs in India. Further, Standards and Labeling Program introduced by the Bureau of Energy Efficiency (BEE) causes change in standards leading to downgrading of existing 4 and 5 star rated appliances affecting the demand and reputation of the highly rated products. This burden is ultimately passed on to the consumers, which in turn, makes the products expensive and also impacts their demand.

Engineering, Procurement and Construction (EPC)

Power Sector overview

Availability of reliable and affordable energy supply is an essential factor that influences the quality of life and economic development of any country. During the year, the

Indian power sector witnessed a robust growth with peak demand growing by 8% (as on Feb 2019) to 177 gigawatt (GW) while in terms of energy, the growth was 6.5% as against previous year. Several steps were taken to restructure and strengthen the power sector as a whole including power generation, transmission and distribution. These measures also include achievements in capacity addition along with major reforms undertaken to increase energy efficiency and increase accountability and transparency.

Major sectoral highlights

- During the year, a total of 16 states achieved 100% household electrification with over 2 crore electricity connections being released under the Pradhan Mantri Sahaj Bijli Har Ghar Yojana, also known as Saubhagya and 100% village electrification being achieved under Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY).
- India's rank improved to 24 in 2018 from 137 in 2014 on World Bank's ease of doing business - "Getting Electricity" ranking and the country also emerged as a net exporter of electricity to Nepal, Bangladesh and Myanmar.

Growth drivers

- With coal supply being a cause of concern, the scope of improvement in terms of achieving sustainable growth in the sector remains an issue to be addressed. For both the long and short-term, it is essential to add more renewable capacity, improve fuel-supply chain for coal and gas plants, and ensure efficient utilisation of existing capacity through smart portfolio optimisation by state distribution companies.
- High capacity green energy corridors are under implementation, which will facilitate the inter-connection of large-scale renewables into the national grid. In addition, transmission schemes for 7,200 MW of ultra-mega solar power parks are also under implementation in various states as part of the second phase of the green energy corridors scheme.
- The government is also planning to increase the fleet of Electric Vehicles (EVs) in the country with a target of 30% EVs by 2030. For this purpose, either the existing transformers will be replaced or more transformers will be added to cater to the additional demand from EVs.
- Metro rail projects and railway electrification projects are also contributing to the increase in demand for distribution transformers and given the amplified government spending in this segment, they are set to drive the transformer demand in the future as well.

- Under the government's renewable energy plan, significant power generation capacity is constantly being added and a number of transmission lines and substations are being constructed, thereby driving the demand for transformers.

(Source: Ministry of Power, Energy World)

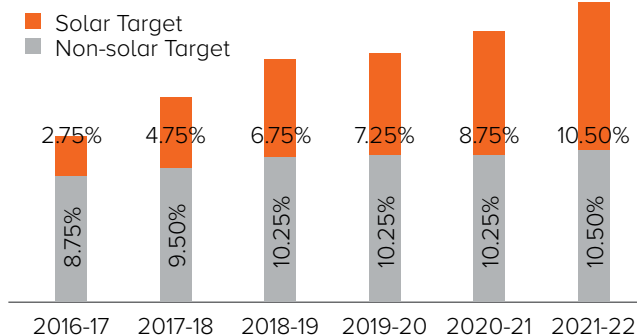
100%

Household electrification in 16 states in FY19

24th

Rank in World Bank's ease of doing business - "Getting Electricity"

Target share of renewable energy in India's power consumption



(Source: The Ministry of Power, Government of India, dated 14 June 2018)

Lighting & Energy Efficiency Sector overview

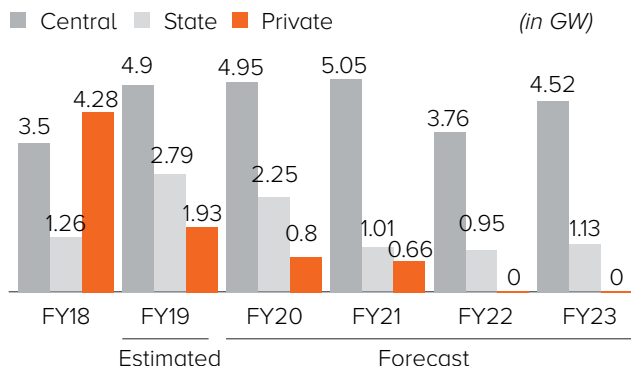
Energy efficiency offers a huge opportunity to the industrialised world and fast-growing economies towards a sustainable development path that is imperative for growth. India has made great strides in expanding access to electricity in recent years, on the back of numerous plans and initiatives undertaken by the government. During the year, about 31.68 crore LED bulbs were distributed and 74.79 lakh LED street lights were installed under the UJALA (Unnat Jyoti by Affordable LEDs and Appliances for all) Scheme, and the energy deficit was reduced to almost zero.

The scheme to provide LED bulbs to households resulted in an annual saving of up to ₹50,000 crore in electricity bills. As a result of increasing government initiatives to boost LED adoption and growing awareness concerning lower power consumption of LED lighting products, the Indian LED lighting market is anticipated to grow to ₹216 billion by 2020. Moreover, easy availability at affordable prices coupled with distribution of LED bulbs by the Indian government at subsidised rates to promote the use of LED lights over

halogens and incandescent lighting products augments the demand for LEDs in the country in the near future.

Achieving efficiency in the energy sector is the key to ensuring a safe, reliable, affordable and sustainable energy system for the future. It is the quickest and least costly way of addressing energy security, environmental and economic challenges. For this purpose, the National Mission for Enhanced Energy Efficiency (NMEEE) aims to strengthen the Indian market for energy efficiency by creating favorable regulatory and policy regime and has envisaged fostering an innovative and sustainable business model. With the Energy sector responsible for over 70% of the nation's emissions, energy efficiency therefore becomes crucial to the Government of India's ambitions for building a green economy.

(Source: Ministry of Power, World Bank Report)



(Source: Crisil Research)

Segment overview

Power Transmission

During 2013-2018, India's transmission capacity recorded a CAGR of 12%, while the power transmission posted a growth of 7% in the corresponding period. The sector received a boost from the Saubhagya scheme of the Government, which aimed at providing electricity to every household. For this purpose, an investment of USD 2.15 billion has been planned to electrify nearly 212 million households. An investment of USD 60-80 billion will be required in the next five years to come, in order to fulfill the power demand in the country.

The Company is capitalising on this opportunity by constructing transmission lines from 132kV to 765kV across the country. Further, the substation and monopole divisions of the segment facilitate the Company in achieving its objective of providing end-to-end customised solutions for electricity utilities in India. The Company works towards achieving its goal through its state-of-the-art production facility replete with cutting-edge methodologies. The facility also ensures quality driven

processes at each stage of production and is acknowledged by the domestic as well as the international clientele.

Major Achievements

- During the year, the Company undertook several EPC contracts in lattice tower and monopole tower based transmission lines, AIS & GIS substations, underground cabling etc. The Company possesses in-house manufacturing facilities for lattice towers, monopole towers and sub-station structures which facilitates in timely completion of projects and helps to maintain quality standards.
- In the Power Transmission division, the Company has a prominent presence across the country including Rajasthan, Kutch, Karnataka, Telangana, Uttar Pradesh and Puducherry amongst others. As of March 2019, the Company's projects are under execution in Uttar Pradesh, Rajasthan, Madhya Pradesh, Gujarat, Telangana, West Bengal, Karnataka, Bihar, Chhattisgarh, Uttarakhand and Odisha.
- The Company also initiated its first international EPC project through Zambia Electricity Supply Corporation Limited in the sub-Saharan region.
- As on March 2019, the segment had unexecuted orders of nearly ₹600 crore which is further estimated to increase by ₹200 crore in the short-term.

Outlook

- Owing to its sectoral presence the Company plans to actively participate in the Railway Ministry's initiative of electrifying the railway tracks.
- The Company also looks forward to build a team of engineers, designers and marketing officers for further penetration in the segment.
- Further, the manufacturing unit has also commenced its upgradation for the enhancement of certain critical manufacturing processes. With this in place, the Company further plans to amplify the capacity of the plants in the coming years.

99%

Households electrified as of December 2018

ISO 14001, ISO 9001 and OHSAS 18001

Certifications of Ranjangaon Production facility

~10%

Power Transmission business segment contribution to total revenue of the Company during the year

35%

YOY revenue growth of the Power Transmission business segment

90%+

YOY revenue growth in the monopole division of the Power Transmission business unit

Illumination

The Illumination segment of the Company comprising of 4 units namely Luminaires, Integrated Building Management Systems (IBMS), Illumination (erstwhile) and Solar makes the Company a one-stop shop for all electrical solutions. During the year, total revenue from the Illumination segment was recorded at ₹600 crore comprising of ₹400 crore revenue from Luminaires, Solar and IBMS divisions and ₹200 crore from illumination division (which deals in supply of high masts, flag masts, poles along with relevant fixtures and SITC). The business also posted an enhanced and robust EBIDTA in all the segments.

Key Highlights of FY19:

- The Company has been successful in maintaining a strong position as a Data Centre solution provider in the IBMS segment for Sify in Pune, Kolkata and Chennai, ONGC DC in Delhi and BEML DC in Bengaluru.
- The segment provides a number of opportunities to the Company which in turn leads to improved margins.
- The Company has also maintained strong margins, pertaining to the smart city ventures and architectural lighting segment that comprises about 15 to 20% of the total business revenue.

Outlook

The Company recognises that this segment poses lucrative opportunities for the brand to make further headways into the industry and build a rock solid foundation for a sustainable future.

- In the coming period, the Company intends to capitalise on various industry opportunities and openings such as smart city projects, orders from Energy Efficiency Service Limited (EESL), architectural lighting and city beautification and aims to explore these opportunities on the basis of a range of solutions provided by it for smart outdoor and connected indoor applications.
- In a market situation wherein most manufacturers are presently not capable of arranging for any complete end-to-end solutions, the Company is stitching together various products and offerings in order to provide holistic, end-to-end solutions to its customers. The Company is continually exploring new technological platforms which would help it to withstand the ongoing competition.
- The Company is also planning to enter the verticals of smart utility and smart telecom pole solutions and develop smart feeder panels to control lighting through high masts, thereby providing momentum to the Company's business expansion and development plans.
- The Company is reworking its business model and positioning itself as a solution provider rather than as a product seller, in-order to create an enhanced value proposition for its customers and for itself.

Key Achievements of FY19

- Received order for supply of indoor commercial batten from EESL worth ₹35 crore, which is expected to be executed in Q1 FY20.
- Received Indore Smart city project order for ₹5.5 crore.
- Received border flood lighting order worth ₹6.5 crore consisting of poles and floodlights.
- Executed one of the most high-visibility projects of lighting of the Bogibeel Rail & Road bridge, worth ₹5 crore.
- Sone river bridge lighting order received from Bihar Raja Pool Nirman Nigam Limited.
- Executed more than 50 flag masts in over 50 A1 Railway stations across India.

- Major heavy engineering project order received from Rafaela Manufacturing plant in Mihan near Nagpur.

Power Distribution

The Power Distribution segment of the Company has been growing at a CAGR of 38.8% from FY15 to FY19. The Company also made significant investments in smart grid segment with an aim to improve energy efficiency, reduce the impact on environment, enhance the security and reliability of power supply and curtail the power loss from the electricity transmission/distribution network. Under the power distribution vertical, the Company also focuses on underground cabling, smart metering and system strengthening.

Key Highlights of FY19

- The growth in the current fiscal was exceptional on account of receipt of an order from the Uttar Pradesh (UP) Government, under the Saubhagya scheme.
- The project covered 16 districts under Madhyanchal Vidyut Vitaran Nigam Limited and 7 districts under Purvanchal Vidyut Vitaran Nigam Limited. It resulted in access to electricity which was provided to households across approximately 20000 villages.
- The Company also has ventures under other government schemes such as Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Distribution Scheme (IPDS).

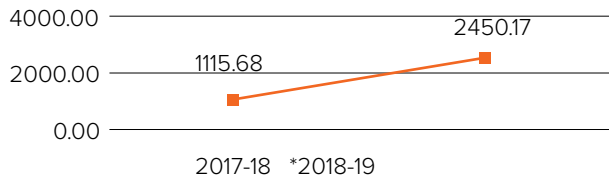
Outlook

- In the coming period, the Company aims to further strengthen the segment of Power Distribution on the back of various development initiatives by the Government of India.
- Further, the Government is expected to come forth with new investments aimed at the restructuring and strengthening of the electrical distribution system which includes underground cabling, system strengthening and system automation projects.

₹1100 crore

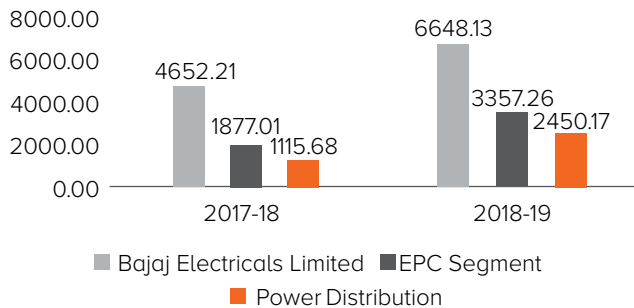
Order book of Power
Distribution as on
March 31, 2019

Sales Chart Power Distribution (Figures in ₹ crore)



* 2018-19 figures are projected

Sales Chart (Figures in ₹ crore)



Exports

After a challenging FY18, in the current year exports recorded a revenue of ₹91.70 crore, registering an improved growth of 65.61% over the previous year. The B2B exports sales grew by 114.47% YoY to ₹48.58 crore and B2C exports sales grew by 31.79% YoY to ₹43.12 crore. The revenue growth charted in B2B segment, which includes providing complete end-to-end projects as well as supply of only luminaires, high masts and poles was on account of new projects received from the export market, such as Africa, Qatar and Oman. During the year, the Company also witnessed the opening of new project / site offices in Zambia and Kenya and extended its market presence to countries such as Qatar and Oman.

The growth in B2C segment, including appliances such as fans and lightings, was achieved due to better penetration in existing markets and export of MR products in Sri Lanka. During the year, the Company expanded its business in around 17 countries, with Sri Lanka, Singapore, South East Asia, UAE being the key markets due to their domestic consumption requirements and Dubai being prime markets for the Company. The Sri Lankan market performed fairly well in the fan segment, while Nigeria performed well in both B2B and B2C segments.

In the coming years, the Company plans to explore further and strengthen its presence in existing markets. The Middle East countries have huge market opportunities and the Company plans to expand its reach in the coming years. For the first time ever, the Company carried out mainstream advertising (TV, Print, Radio and Outdoors) for the Fans segment in the Sri Lankan Market and is planning to repeat the same in other countries in the coming year. The Company also plans to expand its dealership network by about 50% in FY20 in the existing markets so as to derive benefits in all the categories together.

Quality

The Company has, a full-fledged & equipped Quality Team, which works across manufacturing locations in India and international markets. The Quality Team performs quality checks starting from the incoming stage till the finished products. The Company is in the transformative phase aiming to progress from Quality Control (QC) to Quality Assurance (QA) and is working towards enhancing the quality of products. Earlier, the Company was in the phase of defect identification at the product level but now it has shifted to process orientated controls. The Company aims to identify the origin of defect rather than detect discrepancies from finished products. The focus is on process improvements, which would help in improving the quality of the products and prevention of recurrence of defect.

In the last one and half years, the Company has undertaken 3 projects aimed at improving the quality of products, namely:

- **Project Lakshya:** aimed to improve and upgrade the manufacturing process and put in place mechanism to control the quality of raw materials used at the vendor's place.
- **Project Bajaj Booster:** aimed to reduce the chronic issues as well as the consumer complaints.
- **Project Purge:** aimed at eradication of the defects in working products such as motor of mixer grinders, element of water heaters & drivers.

With these initiatives, the Company has been able to reduce the market complaints by 16-17% year-on-year in the last two fiscals.

The Company's quality management is classified into three parts namely, appearance, performance and reliability. In terms of performance and reliability, the Company's products have an edge over its competitors while it aims to further improve the appearance of its products.

Focusing now on 'Appearance', the Company has initiated the Lakshya Mission 4 Project under which, the Company aims to enhance and sustain the colour, materials and finish (CM&F) of existing products. Improvement in appearance is carried out in terms of CM&F of the product, which includes standardisation of colour, moulding and powder coating processes for the existing and new products as well as for the materials used in creating the products. Keeping this purpose in mind, the Company aims to initiate a training module for all its vendors and provide them with the required training.

ISO 9001:2015

Certified businesses

Green energy- wind energy

India currently has the 5th largest installed wind power capacity in the world with a total installed capacity of 34.98 GW as on October, 2018 against a target of 60 GW by 2022. Further, around 9.4 GW of capacity is under implementation or has been tendered out. During the year under review, nearly 427.80 MW capacity was added in Tamil Nadu, followed by 239.25 MW in Gujarat, 107.40 MW in Andhra Pradesh and 27.30 MW in Telangana. With the new additional capacity, the cumulative capacity in the country now stands at 35016.85 MW, compared with 34145 MW, in FY18. Karnataka, one of the leading states in wind energy, witnessed a capacity addition of only 63.90 MW as against 857 MW last year. (Source: Minister of State (I/C) for New and Renewable Energy and Power in Business Standard)

During the year under review, the Company generated 2221110 electrical units at its 2.8 MW wind farm at Vankusawade village, in Satara district of Maharashtra.

Supply chain

The Supply Chain Management (SCM) plays a vital role in the business sustainability of any consumer facing Company. An effective SCM ensures timely product availability as well as maintaining distribution costs under check. The Company's SCM operates on a replenishment mode, where the system is designed to operate from vendors to distributors, and that each node responds to actual secondary sales to retailers. The objective of every department which operates within the supply chain is to give topmost priority to availability of the products.

In order to increase the overall efficiency level of the SCM, the Company has initiated bottom-up forecasting for seasonal categories like water heaters and fans. This forecast, which is based on past secondary sales, is used by the supply chain for planning the procurement of these seasonal products. For all other products, sales and operations planning meetings are conducted rigorously to ensure timely and accurate prediction of demand. The SCM also helps in improving the overall profitability levels of the Company by ensuring efficient cost management and minimising the impact of volatility in the input cost.

Research & Development (R&D)

To remain at the forefront and develop new products that suit consumer needs in a dynamic environment, the Company had set up a modern R&D centre at Navi Mumbai couple of years ago. The centre combines all aspects of research, design, development and testing capabilities under a single roof.

Under this, the Company emphasised on product innovations which were aligned with the consumers' preferences and can provide them with greater ease and convenience. For this purpose the Company's R&D center, with a team of 75+ members constantly works towards developing and innovating new and improved products. The result of their efforts led the Company to launch products such India's 1st IoT Air Cooler, India's 1st Anti Germ Fan, Calenta Digi Water heater and Majesty One Iron among others. The Company continuously makes efforts towards addressing white spaces & increasing addressability, which has ensured a good range presence in various categories, helping the brand to grow. This year, atleast 300+ new/enhanced products were released from the R&D Center. The new products developed by the Company were acknowledged and received well by the consumers.

75+

Employees in
R&D team as on
March 31, 2019

300+

New/enhanced
products innovated
by R&D team in
FY19

Marketing & Branding

From a consumer products perspective, the Company now possesses a strong marketing team across the various segments such as product marketing, brand marketing & consumer marketing. The team formulates several strategies towards strengthening brand equity and works to achieve the objectives and goals of the business.

With an aim to enhance the brand presence, the Company has implemented strategies, phase-wise to expand its reach across the country and keep the business blooming.

- The first phase was Channel development wherein the Company catered to every retail outlet on a weekly basis, thus expanding product reach to every corner of the country. As a result of this, the Company rolled out its RREP programme. The Company also undertook various initiatives in the fiscal such as Retailer meets, Retailer Bonding Program and several launch events to further engage with its retailers.
- The second phase was Product development which helped the Company to expand its range of products. A wider product portfolio strengthened its brand image as well as widen its presence to a larger customer audience.

During the year, the Company shifted its focus from 'Mother Brand' corporate-led communication to 'Product-centric' communication with clear emphasis on products USP and features. During the year, the Company launched 72 products across multiple product categories in different markets across India. To support these launches and create awareness, multiple campaigns were launched focusing on products such as Bajaj LED, Bajaj Mixers (South specific), Bajaj Fans and Bajaj Coolers across various forms of media such as Television, Print, Radio, Cinema and Digital media. Regional launch events and market storming activities were also conducted to interact with the channel partners and capture personal feedback and create brand/product visibility in the market.

With these steps, the presence of the Company's product range was made available to an increased store count across various districts of the country and augmented consumer pull

for the brand. Further, various initiatives such as connecting through smart appliances on the digital front, blogging on topics relevant to consumers, recipe videos demonstrating its products and various activities driving product experience with consumers helped increase brand and product awareness.

Under the Illumination segment, during the year, the Company participated in various exhibitions and trade shows such as Light India, Municipalika and Smart city - Jaipur. Through these trade shows the Company was able to connect directly with the key decision makers and influencers and position the Company as a Smart Solution Provider. The Company also launched a CRM programme "Rishtey" at the National Dealer Conference helping create a touchpoint and connect with the dealer community and strengthening relations. To promote lighting products and smart solutions for its LED products the Company conducted 'nxtupgrade' shows in seven cities across India.

The Company continued its association with major youth events validating its brand positioning as young and vibrant. Kabbadi is one of the most watched indigenous sports in India (second only to cricket) and its very popular championship, 'Pro-Kabaddi' was sponsored by the Company for the fifth time. The Company moved on significantly, from being an inspiring partner for Pinkathon to becoming the Presenting / Title Partner. In terms of market-place visibility, more than 15000 stores were branded across India.

The Marketing Teams are supported by an Advertising, Digital and Branding Team, which is a centralised marketing communication and operation division, whose objective is to craft methods and tactics to convey the brand messages in a unique and creative manner.

Information Technology (IT)

Technology continues to play a vital role in boosting operational efficiencies and driving automation. The Company has invested in building a comprehensive IT infrastructure that provides agility and a competitive edge to the business while enhancing profitability. The Company is further expanding its footprint to the global market through its export business putting thrust on building a strong technology system to ensure seamless information flow.

The Company has robust ERP IT system integrated with CRM systems and suite of intranet applications. On the financial front, the Company has implemented a planning and budgeting system over cloud in the factories to automate several manual processes. Budgets are prepared on the system and the MIS information is retrieved from the system. Further, ERP Systems are also enhanced with new reports

and modules that helps in increasing the productivity of the business users and ensures statutory compliance.

Cloud and data analytics have been introduced by the Company for salesforce automation, providing market insight provided via cloud solutions that enables the Company's sales team to reach out to wider market base. CRM aids the sales team to manage sales leads, opportunities, providing visibility of prospective order pipeline. In addition to this the Company has further planned to roll out more enhanced solutions which would help in reducing the time to reach out to consumers. In order to ensure synergy, the Company has implemented unified IT systems across the organisation and also extended to Nirlep – our recent acquisition.

The intranet application portfolio of the business provides various solutions to support business in day-to-day operations. Some of them are:

- Innovative product features, mobility solutions and an easy-to-use interfaces.
- Dynamic and cost effective offering an outstanding value for our business and support functions.
- Unique business solutions designed and integrated to support B2C and B2B TOC way of working which enable business to grow faster and add visibility and controls on the business operations.
- End-to-end HR solutions are tailor-made tools to suit the organisation's requirements and manage the Employee Life Cycle. The solution is AI enabled and has BoT, that helps the employees get all required information instantly reducing the overall operational cost.
- CRM application helps business to reach out to our end consumers after the sales, that has built-in controls to monitor all service providers efficiency and consumer experience.
- Warehouse Management System offers an outstanding value for our warehouse operations, improves labor productivity and maximises space utilisation with system directed activities, provides full support for material handling units like high-end scanners, RT vehicles, trolleys, pallets and the elimination of paperwork.
- Dealer extranet and vendor extranet helped the organisation to connect directly with our partners and created value chain between them to support business.

Beneficiaries connected to the IT system



During the year, the Company achieved success in running its digital transformation strategy centered on consumer experience, consumer insights and product innovation.

- **Consumer Experience:** In order to engage and communicate with consumers over multiple channels the Company identified and created various touch points that consumers are most likely to engage with. Further, to enhance the purchase and post purchase experience of the consumers, certain focused strategies were formulated and executed, right from the e-commerce portal to launching the consumer service specific chatbots. To further enhance consumer experience, the Company is moving from multiple channels to an omni-channel approach by upgrading the existing digital platform to advanced personalised e-commerce platform for end consumers.
- **Consumer Insights:** To keep up with our consumers' expectations, needs, understandings and product improvement, the Company has been continuously investing in Voice of the Consumer programs by capturing consumer's feedback about their experiences and expectations for their products or services across social channels.
- **Product innovation:** The Company is using various digital technologies including Internet of Things (IoT) extensively to develop intelligent and connected products. The Company is planning to capacitate the AI facility to adopt the requirements as per consumer's behaviour. It is in the process of building unified and omni-channel platforms to create consumer centricity. IoT also grants consumers the ability to control their appliances from anywhere. As per the Company's roadmap, smart products will be integrated with voice assistance platforms to provide ease of control through voice command.

In the B2B business segment, smart city lighting and other smart solutions respond to the government authorities and citizens' needs and usage patterns. Smart solutions are anticipated to provide several opportunities ranging from surveillance, emergency services, network zones, advertising display, to environmental sensors and EV charging units. The Company is also stepping in with new communication technologies, wherein it is working on a Unified IoT platform which would help in collaborating complete data to create a machine learning which will be beneficial for organisation and citizens.

On this note of digital involvement, the Company has also implemented AskPaddy, a chatbot platform for the consumers to raise consumer care related service requests. The end users can interact with the chatbot, where he or she can provide some input in the chat box from the list of predefined

inputs. Some of the key features of the AskPaddy chatbot are Repair, Demonstration, Installation, Geo Spatial mapping of dealer and service centers, Product registration and Order and complaint tracking. In the coming months, the Company is planning to implement digital automation of invoice processing, which will discharge immediate benefits in terms of error reduction, better efficiency, better accuracy and cost reduction by eliminating mundane human dependent tasks.

Oracle Excellence award

Received by Company for chatbot implementation for their consumers to raise complaints

69

Total team size of IT department as on March 31, 2019

Financial Analysis

(₹ in crore)

Particulars	FY19	FY18	YOY Change
Revenue	6,673.14	4,716.39	41.49%
EBIDTA	413.78	346.64	19.37%
EBIT	375.31	312.69	20.03%
Finance Cost	115.88	58.86	96.85%
PBT	259.44	164.47	57.74%
PAT	167.07	83.62	99.79%

Key Financial Ratios:

Particulars	FY19	FY18	YOY Change	Reasons for change, where change is significant
EBIDTA Margin	6.20%	7.35%	-15.63%	In spite of 41% growth in revenue, EBIDTA margin dropped on account of lower margin in rural electrification projects executed under Saubhagya scheme in Uttar Pradesh.
EBIT (Operating) Margin	5.62%	6.63%	-15.17%	
PBT Margin	3.89%	3.49%	11.49%	In spite of drop in EBIT margin, PBT margin improved by 0.40% as in the previous year there was an impairment of investment in Starlite Lighting Limited, a Joint Venture Company, by ₹8,936 lakh and there is an increase in the Interest cost by ₹5,700 lakh in FY19 due to increase in borrowing.
PAT Margin	2.50%	1.77%	41.21%	
Debtors Turnover	2.57	2.57	-	-
Inventory Turnover	7.37	5.94	24.08%	Improved mainly on account of increase in revenue of EPC by 58%, CP by 23%, and improvement in inventory turns of EPC.

Particulars	FY19	FY18	YOY Change	Reasons for change, where change is significant
Interest Coverage Ratio	3.24	5.31	-39.03%	Increase in finance cost by ₹5,700 lakh.
Current Ratio	1.05	1.10	-4.24%	-
Debt Equity Ratio	1.47	0.77	92.06%	Increase in borrowing from ₹72,310 lakh to ₹1,58,438 lakh to fund the increased working capital.
Return on Net Worth	15.50%	8.85%	75.13%	Increase in PAT ₹8,333 lakh and increase in Net Worth ₹13,291 lakh.

Risk Mitigation

The Company is responsible for handling risks, which forms a part of good corporate governance. As part of our group values, adequate risk management ensures that risks are identified early and mitigation process is defined.

Various types of risks that can be categorised into strategic risks, external risks, operational risks and financial risks impact the Company. The Company has active risk management policies in place which helps drive successful operations by monitoring and minimising key risks in a structured and proactive manner.

External Risks: Factors such as macroeconomic trends, political uncertainties, technological developments and changes in the industry dynamics have a significant impact on the environment in which the Company operates. The Company monitors development in the key markets and takes required actions to actively assess external risks as well as opportunities that may influence the Company's strategy and operations. The Company's strategy is in alignment with both the external world and internal factors which may upset the Company's execution of the strategy. The Company continuously reviews the strategic framework to ensure it is up to date and its business divisions are fit to create and capture economic value.

Operational Risks: The Company can improve operational performance and create long-term value for shareholders on the back of superior consumer innovation as well as persistent focus on profitable growth and cost efficiency. Realising this potential requires effective and controlled risk management. The internal departments of the Company proactively monitor and manage the operational risks at various levels. In addition to this, the Company is also exposed to several financial risks which are regulated in accordance with the Company's financial policy. The Company's inability to meet financial obligations and mitigate exposure to broad market risk can significantly impact the financial position of the Company.

External Risks

- **Macroeconomic and Political conditions**

Political uncertainties and fragile macroeconomic conditions have an indirect impact on the consumer sentiments which in turn affect the demand for appliances. This may affect the Company's business and strategy in regions which are highly affected by political and economic volatility. In order to address this, the Company takes proactive steps to assess and manage risks prevalent in the business environment. Besides strictly complying with the existing standards and regulations, the Company always tries to stay updated with the trends in laws and regulations. In addition, the Company's diverse presence across several countries helps mitigate any possible slowdown in economy of one country.

- **Global trends**

The constantly changing trends in global markets along with the digital transformation is leading to new developments that have an impact on the appliance industry. Increased purchasing power at the hands of consumers, digitisation, consolidation and sustainable development are boosting demand for investments. In order to address this risk, the Company has increased its focus on investments in areas of innovation, digitisation and connectivity that has helped widen its product offering with the objective to enrich customer experiences.

- **Volatility in price of raw materials**

Raw materials account for a larger part of the cost structure for the Company. Fluctuations in commodity prices impact the Company's input costs and profitability levels. In order to mitigate increased input costs related to higher raw material prices, the Company undertakes cost management initiatives such as Project Lakshya. Further, the Company's efficient supply chain management also facilitates maintenance of overall

profitability by ensuring efficient cost management and minimises the impact of volatility in the input costs.

- **Competition**

The Company operates in a market which is highly competitive in terms of pricing, product and service quality, customer service as well as constant shift in market demands. Any failure in anticipating or reacting to dynamic consumer demand and industry trends may adversely affect product delivery, services and outcomes which are in line with the projected financial performance. Further, the entry of a number of players may result in reduction of the Company's share in the market. The Company however is mitigated by this to a large extent with its strong legacy and trust built over eight decades. In addition to this, the Company also operates on the basis of a unique customer engagement model, assisting customers in 10 different languages, a service not provided by any other player in the industry.

- **Sustain profits**

Failure on the part of the Company to execute the priorities in a timely manner may affect its ability to leverage on opportunities, grow profitably, and enhance consumer experiences. Thus, investing for growth and innovating at every stage of the business model, is crucial for the Company. In order to achieve profitable growth, across all business segments, the Company successfully executes key priorities across its operations such as: portfolio management, cost efficiency and significantly improved product quality at all levels.

Operational Risks

- **Intellectual capital**

It is a prerequisite for the organisations to attract and maintain employees that add value to the business. Dedicated employees and leaders with the right skills play a crucial role in facilitating the organisation's vision and targets. The engagement and passion of the employees also helps the Company provide best-in-class consumer experiences. Across all its areas of presence, the Company applies the same high standards and principles of conduct. Each of the candidate while being recruited is evaluated through Standard Operating Procedures (SOP) with a mandatory cross-functional panel evaluation. The recruited individuals further undergo a detailed orientation program called Anugam, which aims at providing insights into each business unit and support functions. Further, Induction programs along with the 'Buddy Program' assure that the newly hired

recruits start delivering their best in their respective roles quickly.

- **Currency fluctuation**

The Company operates in the domestic as well as in international geographies. Any fluctuation in the currency rates can have an adverse impact on the Company's income and equity. The Company has a dedicated forex team, where currency hedging is planned in advance to avoid any adverse impact on forex reserves.

- **Business growth**

In the constantly changing business environment, it is important for the organisation to sustain profitability and growth for a long-term. The Company has been constantly working on the optimisation of the product portfolio with the aim to strengthen the highest performing product categories and brands and exiting unprofitable products. During the year, the Company launched several new products such as fans, kettle and irons in the consumer durables segment and has a strong order book for the EPC segment under various Government projects, thereby, successfully strengthening product offerings across all the product segments.

Internal control

Commensurate with the size, scale and complexity of its operation, the Company has well defined and adequate internal controls. Throughout the year, the internal controls operated 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 (SOPs) and risk registers, encompassing process flow, key risks and key controls for all business units and functions. SOPs and risk registers in turn are evaluated and appropriate amendments are made by the business, depending on the changes in process of workflow and controls. The external consultant (Internal Auditor) on review of the internal financial controls did not identify any significant control weaknesses. All the non-significant control weaknesses identified have been discussed with the 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 agreed with the management and Audit Committee. The Audit Committee finalises the scope of internal audit. The audits executed by the 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 are presented to the Audit Committee of the Board.

Human Resource Management

At the helm of a company's growth and success lies its human capital, which has a vital role to discharge. To build a talent pool, it becomes necessary for the human resource function to partner with the various business segments so as to create a work ecosystem that shall have on board, the right talent and therefore nurture them to deliver superior performances. In this regard, the Company strives to provide opportunities for its people to learn, grow and create an environment that is friendly, has the right ethical and human values, and empowers the people to deliver their best.

Keeping in mind the importance of a capable and hardworking workforce, the Company believes in identifying and training high potential employees so that they emerge as the leaders of tomorrow. The Company seeks to continuously infuse young talents, brimming with fresh and bright ideas, so as to incorporate their unique individuality and prowess in the workforce. As per the Company's norms, each candidate while being recruited is evaluated through a multi-step process defined as per the Standard Operating Procedures (SOP) with a mandatory cross-functional panel evaluation.

The young and talented individuals recruited in the Company undergo a detailed orientation program called Anugam, which aims at providing insights into each business unit and support functions. Fresh talents hired through the campus hiring program undergo further sessions which impart product and role specific knowledge. Induction programs along with the Buddy Program assure that the newly hired recruits start delivering their best in their respective roles quickly. In alignment with the agenda maintained throughout the years of the Company's existence, the key focus has always been on creating a culture of learning and development with employees being nominated for various internal and external training programs as per the training needs captured through the Performance Management System.

Additionally, the Company has also rolled out a High-Potentials program which includes the identification of internal talent based on the Competency Framework followed by focused learning interventions for such individuals. As a part of the employee grooming process, the Company employees are also assigned cross-functional projects to work on. As a responsible and diligent organisation, the Company also takes a keen interest in the career aspirations of its workforce and ensures that the same is provided to them.

The Company believes in the value of meritocracy and in order to boost the morale of its employees, rewards high-performing employees through its annual performance evaluation process which favourably results either in their promotion or in assigning them with additional responsibilities. The Company also provides the opportunity of internal job posting wherein, interested employees are provided a chance to move to other verticals/ departments in order to gain cross-functional experience.

As an organisation committed towards motivating its employees, the Company believes in recognising and rewarding its employees for their extra-ordinary contributions through quarterly and annual rewards programs. It also recognises employees who have contributed to the organisation actively and persistently over the years through the Long Service Awards program.

The Company strives to create a workplace that promotes diversity and inclusion. Workplace safety, especially for women, is one of the key priorities of the Company. In tune with its agenda of ensuring safety for women in the organisation, the Company has introduced multiple initiatives to make the workplace a safe and comfortable space for women employees with the intent to improve the gender diversity. The Company's Internal Complaints Committee constituted under the policy on prevention, prohibition and

redressal of sexual harassment of women at the workplace, ensures strict adherence of law and conducts a quarterly review of the same.

There were various new initiatives undertaken during the year to further strengthen and secure the HR practices of the Company. These new initiatives include conducting surveys related to employee engagement, new recruits' satisfaction and compensation benchmarking, launching of new self-learning portal, cart of skills and various leading and development initiatives, such as Multiple Management Development Programs and Buddy program.

As of March 31, 2019 the Company's workforce stood at 3217 permanent employees on its rolls. The Board places on record its sincere appreciation for the valuable contributions made by its employees across all levels. The Company attributes its success to the enthusiasm, team efforts, devotion and sense of belonging displayed by its talent pool.

16.92%

Attrition rate for FY19

52%

Employees under the age category of 31 – 40 years in FY19

₹2 crore

Spent in training & up-skilling of employee in FY19

3593

Man-days of training provided to 1011 employees in FY19

13 years

Average years of experience possessed by employees

27 years

Average years of experience possessed by top management

Corporate Security and Administration (CSA)

The Company needs to provide a secure and safe working environment to its employees, that also facilitates 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 a 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 has enabled recruiting and helped in 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 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.