



# MANAGEMENT DISCUSSION & ANALYSIS

## INDIAN ECONOMY

The Indian economy has exhibited a complete recovery, surpassing many other nations and positioning it to return to its pre-COVID-19 growth trajectory in FY 2022-23. This is mainly due to an optimistic business environment, robust industrial output, increased consumer spending, rapid vaccination coverage, increasing GST collections and the vision of 'Aatmanirbhar Bharat', all resulting in a GDP growth of 7.2%. Despite the downward revision of growth from 8.7% in the previous year, the growth for FY 2022-23 is higher than that of major economies, and even slightly above the average growth of the Indian economy in the decade leading up to COVID-19 pandemic.

Over the past decade, India has ascended from the tenth-largest economy in the world to become a significant player in the global economy, now ranking as the fifth largest. There has been a stronger push towards physical infrastructure through programs for road connectivity ('Bharatmala'), port infrastructure ('Sagarmala'), electrification, railways upgradation, operationalising new airports/airline routes ('UDAN') and 'National Monetisation Pipeline'. The 'National Infrastructure Pipeline (NIP)', launched in 2021, has undergone significant expansion with over 9,000 projects now spanning across 35 sub-sectors. These projects are jointly funded by the Central Government, State Governments, and the private sector. Despite these positives, the Reserve Bank of India ("RBI") initiated its monetary tightening cycle in April 2022, resulting in a hike in repo rate of 250 bps, from 4% in April 2022 to 6.5% in April 2023. This has led to a tightening of domestic financial conditions, which was reflected in the lower growth of monetary aggregates.

## INDIAN ECONOMY GDP GROWTH RATE

(in %)					
Year	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
GDP	6.5	3.7	(6.6)	8.7	7.2

On the sectoral side, agriculture sector showcased a growth rate of 3.5% in FY 2022-23, while the industrial sector grew to 4.1%. The robust growth in Private Final Consumption Expenditure, export stimulus during the first-half of the year, increased investment, demand triggered by enhanced public capex, and strengthened bank and corporate balance sheets have stimulated industrial growth. In addition, measures like the 'Production Linked Incentive (PLI)' schemes, introduced across 14 categories with an estimated capex of ₹4 lakh crores over the next five years, will serve to integrate India into global supply chains.

India's industrial output, as measured by the index of Industrial production or IIP continued growth momentum. For FY 2022-23, retail inflation, measured by the Consumer Price Index ("CPI"), reached 6.8%. All three major segments of IIP demonstrated improvement on YoY. Output experienced the most significant increase since last November, driven by an increase in factory production.

The increase in inflation is due to the Russia-Ukraine conflict, and crop failures as a result of excessive heat in some parts of the country. War has also disrupted supply chains, which were previously disrupted by lockdowns and limited trade due to the COVID-19 pandemic. India's Wholesale Price Index ("WPI") reached 1.34% in March 2023. This is mainly driven by the prices of petroleum, base metals, chemicals and chemical products and edible oils, which are largely influenced by international price trends.

## INDIA CPI GROWTH RATE

(in %)					
Year	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
CPI	3.4	4.8	6.2	5.5	6.8

India's external sector has been grappling with significant global headwinds, which can be attributed to the geopolitical developments. According to the estimates of the Economic Survey 2022-23, the Union Government's fiscal deficit has decreased to 6.4% of GDP in FY 2022-23. India's foreign exchange reserves stood at USD 578.4 billion as of March 31, 2023. India's exports have reached a milestone of USD 750 billion in FY 2022-23, compared to USD 676 billion in the previous year. The domestic capital markets have witnessed a successful year, with a large number of SMEs coming out with public offers and Indian stock markets witnessing a resilient performance. Monetary tightening and the Russia-Ukraine war have impacted FDI inflows significantly, however a rebound is expected as India moves towards high growth.

(Source: <https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>)

## INDUSTRY OVERVIEW

### Cement Industry

The cement industry in India is a crucial part of its core industrial sector and is the second-largest producer of cement in the world. Given the extensive infrastructure requirements of a rapidly expanding and urbanising economy like India, cement is a commodity of significant importance. Its contribution to direct and indirect employment, along with its vital role in the nation's infrastructure development, makes it an integral part of India's growing and transitioning economy.

In FY 2022-23, the country experienced an overall improvement in demand, driven by various factors. These factors include increased demand from the housing sector, the progress of infrastructure projects such as roads, railways, and highways, the development of multi-modal logistics and cargo terminals, as well as a surge in rural demand. This growth was observed in most regions, except for the West region, which saw moderate growth in both housing and infrastructure. The country has a low per-capita consumption of 240-250 kg/year compared to a global average of 500-550 kg/year. Overall, the cement sector is expected to receive a strong boost in growth with the combined effect of rising infrastructure spending, an upswing in the real estate sector, low per capita consumption, and anticipated growth in the capital expenditures of private sector.

(Source: <https://www.ibef.org/industry/cement-india>)

## GROWTH DRIVERS

### Urbanisation

The rapid growth of urban areas is a significant driver of the cement industry. As more people move into cities, the demand for housing, commercial buildings, and infrastructure increases, leading to increased demand for cement. Around 3 crore houses have been completed so far for the identified eligible beneficiaries of 'Pradhan Mantri Awas Yojana - PMAY' (Rural and Urban). Despite increasing interest rates, growth in income levels with positive change in demography supported urban demand.

## Infrastructure Development

Cement is a crucial component of infrastructure development and is required in large quantities to build these projects. A high budgetary allocation of ~₹1.99 lakh crores has been done by the Central Government in FY 2022-23 on Smart cities mission, Metro projects, National Highway Authority of India ("NHAI") and other Ministry of Road Transport & Highways ("MoRTH") Roads.

## Industrialisation

The growth of industries such as construction, manufacturing, and mining leads to increased demand for cement for the construction of industrial buildings and facilities. There has been a broad-based recovery in commercial real estate, especially office spaces, after the disruptions from COVID-19 pandemic. Moreover, the capital-intensive sector companies are gearing up their capex cycle, further aiding the recovery.

(Source: Government budget documents, Crisil, NHAI, MoRTH)

## Government Initiatives

- Increased capital investment outlay by 37.4%, from ₹7.28 lakh crores in FY 2022-23 to ₹10 lakh crores in FY 2023-24
- Identification of 100 transport infrastructure projects has been done for end-to-end connectivity with an investment of ₹75,000 crores
- The outlay for 'Pradhan Mantri Awas Yojana' has been enhanced by 66% to over ₹79,000 crores for FY 2023-24
- Continuation of 50-year interest-free loans to state governments to spur infrastructure investment in FY 2023-24
- The outlay for Urban Infrastructure Development Fund has been proposed at ₹10,000 crores per year for infra creation for FY 2023-24

(Source: Union budget announcement FY 2023-24, Economic Survey of India FY 2022-23)

## THREATS

The cement industry is confronted with a diverse array of threats originating from various sources, which have the potential to impact its operations, profitability and overall sustainability. Understanding the threats and implementing various initiatives for the same is essential for companies operating in this sector as well as for policymakers, investors and other stakeholders.

## High Input Costs

Raw material cost and power and fuel are the key input cost components for cement industry. During FY 2022-23, there has been a significant 11% increase in raw material costs compared to FY 2021-22. This rise can be attributed primarily to the growing demand for slag and associated availability issues. Additionally, coal prices have reached unprecedented levels during the year, significantly impacting the profitability of cement manufacturers. Moreover, any further escalation in fossil fuel prices could potentially lead to a corresponding increase in freight and energy costs, ultimately compressing margins. However, it is worth noting that higher production volumes might partially mitigate these effects.

## Supply Chain Issues

Although India's cement industry has grown significantly, its supply chain continues to face numerous challenges. The main problem is the lack of visibility, and the lack of well-developed logistics infrastructure. These challenges stem from the remote location of most cement plants, which are often located in clusters that rely on limestone availability. Furthermore, supply chain issue can also cause higher input cost due to higher freight

on raw material and fuel. Consequently, establishing an efficient supply chain becomes crucial to facilitate the transportation of cement from these manufacturing sites to the respective markets.

## OUTLOOK

The Economic Survey released by the Central Government, projects a baseline GDP growth of 6.5% in real terms for India in FY 2023-24. India's growth prospects have an upside due to several factors. Firstly, the recent surge in COVID-19 pandemic in China has not caused significant health or economic disruptions in the rest of the world, resulting in the continued normalisation of supply chains. Secondly, the re-opening of China's economy has not led to significant or prolonged inflationary pressures. Thirdly, the recessionary trends in major Advanced Economies ("AEs") may lead to the cessation of monetary tightening and the return of capital flows to India. Finally, a stable domestic inflation rate below 6%, coupled with improved investor sentiment could further stimulate private sector investments.

The Indian cement industry is expected to witness an upswing in demand in FY 2023-24 due to strong momentum in housing, infrastructure and industrial development. As India has a high quantity and quality of limestone deposits throughout the country, the cement industry promises huge potential for growth. Furthermore, the government's initiatives and schemes aimed at Micro, Small, and Medium Enterprises ("MSMEs") will stimulate private sector capital expenditure, thereby contributing to a robust single-digit growth in the industry. Nevertheless, the cement sector may still face challenges in the near-term due to persistently high input prices and seasonal fluctuations, which could impact its performance.

Although cement companies may face margin pressure in the event of escalating costs, demand is anticipated to remain strong. In the long-term, the industry is expected to be driven by the Government's infrastructure impetus and schemes such as 'National Monetisation Policy', 'Urban Rejuvenation Mission', 'PM Gati Shakti', 'Pradhan Mantri Awas Yojana ("PMAY")', 'National Infrastructure Pipeline ("NIP")' and 'Smart Cities Mission' will create further demand for cement.

(Source: <https://www.ibef.org/industry/cement-india>)

## COMPANY OVERVIEW

Nuvoco [including Nuvoco Vistas Corporation Limited and NU Vista Limited ("NVL")], is a cement manufacturing Company with a Vision to 'Building a Safer, Smarter and Sustainable World'. Nuvoco started its operations in 2014 through a greenfield cement plant in Nimbol, Rajasthan, and further acquired Lafarge India Limited in 2016, which entered India in 1999 and NVL in 2020. Today, Nuvoco is fifth-largest cement group in India and one of the leading players in East India in terms of capacity.

Nuvoco's growth journey in India is unparalleled, having expanded its business through strategic acquisitions. It has effectively scaled up its cement capacity to 23.82 MMTPA, doubling its installed capacity over the last five years, and establishing itself as one of the fastest-growing cement companies in the country.

Nuvoco operates 11 (eleven) Cement Plants including 4 (four) cement plants of NVL comprising 5 (five) integrated units; 5 (five) grinding units and 1 (one) blending unit in the states of West Bengal, Bihar, Odisha, Chhattisgarh, and Jharkhand in East India; and Rajasthan and Haryana in North India - strategically located to efficiently fulfil the customer requirement. All integrated plants are equipped with modern Waste Heat Recovery Systems ("WHRS") with a total capacity of 44.7 MW. Further, Nuvoco has

a Captive Power Plant (“CPP”) capacity of 150 MW and a Solar Power Plant (“SPP”) capacity of 1.5 MWp.

Nuvoco’s businesses comprises Cement, Ready-Mix Concrete (“RMX”) and Modern Building Materials (“MBM”), which includes a range of over 60 (sixty) products that can conveniently meet the needs of individual home builders and institutional infrastructure development. Nuvoco has developed a strong position in the market by use of good quality raw materials and providing innovative and best-in-class cement products such as Concreto, Duraguard, Double Bull, Premium Slag Cement (“P.S.C”), Nirmax and Infracem. As a result, Nuvoco has received some of the highest regulatory ratings. Nuvoco launched 2 (two) new products in the Cement business during the year under review - **Duraguard Xtra F2F** and **Concreto Uno**.

**Duraguard Xtra F2F** is a premium composite cement that improves workability, provides a superior finish, and strengthens the construction from Foundation to Finish (“F2F”). **Concreto Uno** has unique water-repelling properties to protect the house from water ingress, dampness and efflorescence, resulting in higher durability and better surface finish protection from harmful waterborne environmental pollutants.

There has also been an introduction of lighter aluminium body trucks for cement dispatches, which shall help reduce ~28 tCO<sub>2</sub>/vehicle in its lifecycle by reducing fossil fuel consumption, leading to natural resource conservation.

Nuvoco’s Ready-Mix Concrete (“RMX”) products under Concreto (Performance concrete), Artiste (Decorative concrete), InstaMix (ready-to-use bagged concrete - the first-of-its-kind in the industry), X-Con (M20 to M60) and Ecodure (Special green concrete) have contributed to major projects such as Mumbai-Ahmedabad Bullet Train; Birsra Munda Hockey Stadium, Rourkela; Aquatic Gallery Science City, Ahmedabad; and Metro Railway (Delhi, Jaipur, Noida and Mumbai) among many others. Nuvoco launched new product ‘ConcretoGlyde’ during the year under review and received “Greenpro Ecolabel” for its 6 (six) out of its 51 RMX Plants namely Patancheru and Miyapur (Hyderabad), Whitefield (Bengaluru), Sanathal (Gujarat), Noida (Uttar Pradesh) and Gurugram (Haryana) for producing Ecodure - Green Concrete.

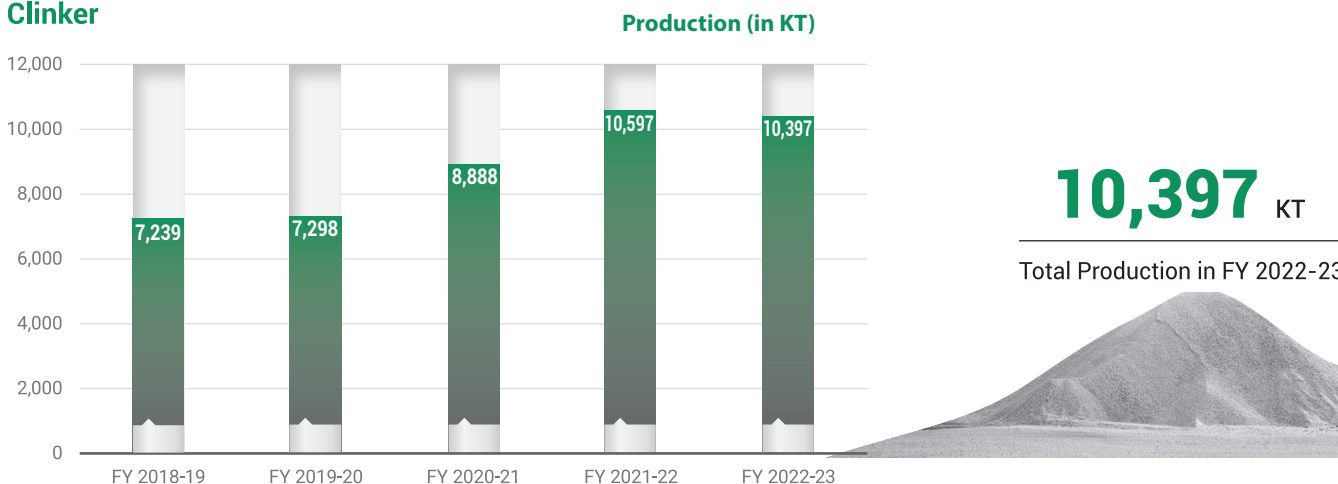
**Concreto Glyde** - A premium quality effective solution designed for interior and exterior flooring underlay. Its variants include Smooth finish, lightweight, water and crack-resistant, and self-levelling, offering a solution not just to one but to multiple flooring underlay and roofing overlay issues ensuring projects are completed as per schedule due to its early drying time.

MBM business offers a comprehensive range of value-added products, such as Construction Chemicals, Multi-purpose Bonding and Waterproofing Agents, Waterproof Coatings, Wall Putty, Tile Adhesive & Grouts, Ready Mix Dry Plaster and Cover Blocks under the Zero M and InstaMix brands. These products have been well-received in the markets where the Company operates and include specific developments that provide comprehensive waterproofing and germ protection.

### OPERATIONAL PERFORMANCE

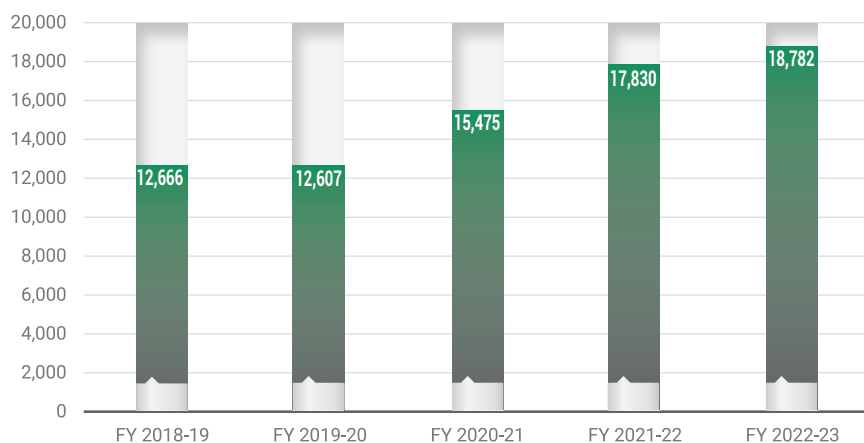
Nuvoco witnessed a period of moderate volume growth during FY 2022-23 compared to the previous year. Nuvoco faced external pressures, including elevated energy costs, which led to 26% rise in power and fuel expenses compared to the previous financial year. These increased costs had a significant impact on Nuvoco’s overall performance and margins. Furthermore, to counter the unprecedented surge in coal prices, Nuvoco undertook measures to mitigate the impact. One such measure included an increase in Alternative Fuel and Raw Material (“AFR”) consumption. This strategic decision led to a noteworthy 9% thermal substitution rate (“TSR”), which is twice the rate achieved in the previous year at 4.5%. Raw material costs witnessed 11% increase compared to FY 2021-22, primarily driven by the rising demand for slag, which created an inflationary environment. However, Nuvoco managed to partially mitigate these challenges through long-term contracts. Nuvoco remains committed to further enhance its cement-to-clinker ratio, from 1.8 for FY 2022-23, while expanding its portfolio of premium products, implementing cost-saving measures, and driving continuous innovation. It is also strategically prioritising CAPEX investments in sustainability, debottlenecking, payback-based projects, and enhancing its presence in the northern region.

### Clinker



## Cement

### Production (in KT)



# 18,782

KT

Total Production in FY 2022-23



## FINANCIAL PERFORMANCE

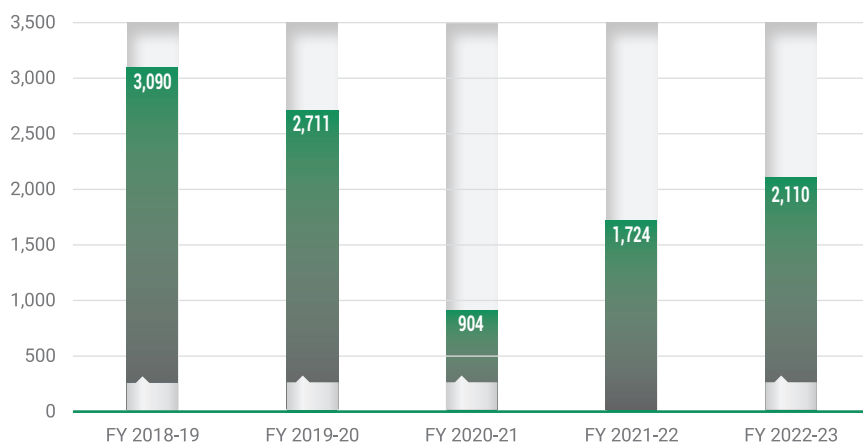
(₹ in crores)

Description	Standalone		Consolidated	
	FY 2022-23	FY 2021-22	FY 2022-23	FY 2021-22
Revenue from Operations	8,581.52	7,342.36	10,586.17	9,318.03
Other Income	97.79	115.90	13.21	37.22
<b>Total Revenue</b>	<b>8,679.31</b>	<b>7,458.26</b>	<b>10,599.38</b>	<b>9,355.25</b>
<b>Expenditure</b>				
Cost of Materials Consumed	1,426.87	1,184.64	1,764.95	1,508.23
Purchases of Stock in Trade	1,003.32	695.07	44.33	42.02
Changes in Inventory	(6.95)	(124.54)	(23.59)	(173.99)
Power and Fuel	2,013.36	1,556.55	2,792.34	2,100.85
Freight and Forwarding Charges	1,858.72	1,652.21	2,818.25	2,502.42
Employee Benefit Expenses	481.45	455.83	605.51	579.99
Other Expenses	985.25	884.60	1,374.00	1,256.95
<b>Total Expenditure</b>	<b>7,762.02</b>	<b>6,304.36</b>	<b>9,375.79</b>	<b>7,816.47</b>
<b>EBITDA</b>	<b>917.29</b>	<b>1,153.90</b>	<b>1,223.59</b>	<b>1,538.78</b>
<b>EBITDA Margin (%)</b>	<b>11%</b>	<b>15%</b>	<b>12%</b>	<b>16%</b>
Depreciation	696.20	651.56	951.13	917.96
Finance Costs	353.32	401.15	511.90	569.92
<b>Profit/ (Loss) before Exceptional item and Tax</b>	<b>(132.23)</b>	<b>101.19</b>	<b>(239.44)</b>	<b>50.90</b>
Exceptional Item	238.22	-	405.80	-
Income Tax	(460.62)	46.03	(661.10)	18.82
<b>Profit after Tax (PAT)</b>	<b>90.17</b>	<b>55.16</b>	<b>15.86</b>	<b>32.08</b>



## Ready-Mix Concrete

### Production (in KM<sup>3</sup>)



**2,110** KM<sup>3</sup>

Total Production in FY 2022-23



### Revenue from Operations

On a year-over-year basis, Nuvoco's Revenue from Operations (net of taxes) increased by 14% in FY 2022-23, over the previous year. Revenue from operations has improved mainly due to increase in Cement, RMX and MBM sales volumes owing to an increase in infrastructure development and construction activities as well as an increasing support from Government initiatives.

### Sales Volume

The volume of cement sold was 18,803 KT, up from 17,839 KT in FY 2021-22. In the Eastern Region markets, Nuvoco maintained a solid leading position. In FY 2022-23, the average selling price (net of taxes) rose to ₹5,123/T from ₹4,794/T in FY 2021-22.

Cement	UOM	FY 2022-23	FY 2021-22	% Change
Sales Volume	KT	18,803	17,839	5%
Average Selling Price (ASP)*	₹/T	5,123	4,794	7%

\*Net of GST

### Raw Material Cost

Nuvoco's raw material costs form a substantial part of operating costs. Raw material costs for FY 2022-23 for cement operations have increased by 5% to ₹619/T in FY 2022-23 from ₹587/T in FY 2021-22. The rise in raw material costs was primarily attributable to an increase in slag usage, driven by higher production of slag-based cement, and increase in slag and gypsum price.

### Power and Fuel

Nuvoco's power and fuel expenses for cement operations have increased by 26%, to ₹1,480/T in FY 2022-23 from ₹1,175/T in FY 2021-22. In response to the external pressures arising from high energy prices due to ongoing geopolitical tensions, Nuvoco undertook measures to address the situation by increasing the consumption of alternative fuels.

### Freight and Forwarding

Cement operations freight and forwarding costs increased by 7%, to ₹1,457/T in FY 2022-23 from ₹1,361/T in FY 2021-22. This is mainly attributable to the increase in diesel and petrol prices alongwith busy season surcharge levied by Indian railways, from October 2022 onwards.

### Employee Benefit Expenses

Nuvoco recognises its employees as the most valuable asset, and thus prioritises their training and retention. Nuvoco offers annual increments that are in line with industry standards to boost productivity and enhance the efficiency of its employees.

### Finance Costs

Finance costs of Nuvoco reduced substantially to ₹511.90 crores in FY 2022-23 from ₹569.92 crores in FY 2021-22 due to repayment of borrowings during the year under review.

### Cash Flow

Nuvoco had positive cash flow during FY 2022-23. The net cash inflow during the year under review stood at ₹89.36 crores as compared to net cash outflow of ₹389.72 crores in FY 2021-22. The cash flow from operating activities was higher and stood at ₹1,711.40 crores as compared to ₹1,220.85 crores in the previous year. Net cash outflow from investing activities during the year under review stood at ₹260.36 crores as compared to ₹190.34 crores in FY 2021-22. This gap was mainly due to payment for purchase of property, plant and equipments. Lastly, net cash outflow from financing activities stood at ₹1,361.68 crores as compared to cash outflow of ₹1,420.23 crores in the previous year. During the year under review, Nuvoco spent ₹470.72 crores in the interest and other financial costs as compared to ₹533.08 crores in the previous year.

## Ratio Analysis

Particulars	FY 2022-23	FY 2021-22
Debtors Turnover Ratio	14.23	14.34
Inventory Turnover Ratio	9.71	10.18
Interest Service Coverage Ratio	2.85	2.91
Current Ratio	0.63	0.75
Debt Equity Ratio <sup>1</sup>	0.52	0.61
Operating Margin (%)	11.76%	16.57%
Net Profit Margin (%) <sup>2</sup>	0.15%	0.35%
Return on Equity (%) <sup>2</sup>	0.18%	0.40%
Return on Capital Employed (ROCE) (%) <sup>3</sup>	1.99%	4.11%
Earnings per Share <sup>2</sup>	0.44	0.93

<sup>1</sup> Improvement in Debt equity ratio from 0.61 to 0.52 in FY 2022-23 is primarily on account of repayment of debt amounting to ₹602.21 crores (Net).

<sup>2</sup> Lower net profit margin, return on equity and earnings per share is primarily on account decrease in net profit to ₹15.86 crores in FY 2022-23 as compared to ₹32.08 crores in FY 2021-22.

<sup>3</sup> Lower return on capital employed is primarily on account of lower Earnings before interest and tax of ₹272.46 crores as compared to ₹620.82 crores in FY 2021-22.

## Performance of unlisted material wholly owned subsidiary, NU Vista Limited ("NVL")

The Company has 100% ownership in NVL. NVL is primarily involved in the manufacturing and marketing of cement. The following is an overview of NVL's operational and financial performance:

- As compared to FY 2021-22, cement sales volume stood at 8,241 KT registering an increase of 20%.
- EBITDA (Earning before Interest, Tax, Depreciation and Amortisation) for FY 2022-23 was ₹390.93 crores, down from ₹468.68 crores in FY 2021-22.
- The Loss after tax in FY 2022-23 was ₹141.43 crores compared to profit of ₹28.60 crores in FY 2021-22 primarily on account of provision for time value of money provided based on expected credit loss model for incentives receivables for Panagarh cement plant amounting ₹167.58 crores.

## RISKS AND CONCERNS

### Raw Material and Fuel Price Fluctuations

#### Impact

Nuvoco's product prices may be affected by fluctuations in demand, supply, sales and geographical factors, resulting in a corresponding impact on profit margins, particularly given the cyclical nature of the cement industry. Additionally, the fluctuations in prices of fuel, essential raw materials and packaging supplies pose a potential threat to profitability. Furthermore, if Nuvoco experiences a shortage of critical inputs, it could lead to a rise in raw material prices and further impact profitability. During FY 2022-23, there has been a significant 11% increase in raw material costs compared to FY 2021-22.

#### Mitigation Strategy

To enhance environmental sustainability and mitigate the risks associated with escalating raw material costs, Nuvoco is making strategic investments in expanding its plants capacity to harness a range of waste materials such as agricultural waste, RDF

(Refused Derived Fuel), plastic waste, municipal waste, biomass, tyre chips, and other hazardous waste sources and integrating these alternative fuels into its manufacturing operations. Additionally, Nuvoco is dedicated to identifying new, cost-effective raw materials that meet its quality standards. Nuvoco is also coming up with railway siding at Odisha Cement Plant which will ensure smooth movement of Clinker and Cement and result in reduction in freight cost.

## Technological Advancements

### Impact

Keeping up with the latest technological advancements is crucial for Nuvoco, as failing to do so may result in increased production costs, reduced efficiency and decreased profits.

### Mitigation Strategy

Nuvoco has made significant investments in state-of-the-art facilities and technical developments to enhance its operational efficiency. Its research & development capabilities along with its infrastructure, provide support to all its product lines. The Construction Development and Innovation Centre ("CDIC") serves as a customer interface for Nuvoco, and offers customised solutions to meet the specific needs of the building materials sector. Nuvoco prioritises local innovation by manufacturing products and systems, and it continually invests in existing technology maintenance, while embracing new and improved technologies. Nuvoco is also focusing on employing the usage of technology in product development, innovation and manufacturing to upscale the quality of its products. Nuvoco has introduced Captain Nuvoco—the first D2C Home Assist app—covering wide range of information and guidance throughout the homebuilding stages. It has also introduced Tech Express Vehicles, manned by a qualified civil engineer to provide on-site services to customers.

## Changing Economic and Industry Dynamics

### Impact

Nuvoco's cement consumption could face substantial challenges as a result of the economic downturn and sluggish growth in the infrastructure sector. Nuvoco's plans for expanding its capacity might encounter delays in implementation and cost overruns due to disruptions in the supply chain, unforeseen expenses, and volatility in demand.

### Mitigation Strategy

Nuvoco anticipates an increase in demand for its products due to the recent budgetary allocations towards the infrastructure industry. It is essential for Nuvoco to complete projects on time and improve supplier coordination. Additionally, Nuvoco will be able to maintain its profitability through operating efficiency measures.

## Rising Competition

### Impact

The cement industry is highly competitive, with both well-established and new players dominating the market. A failure to compete effectively may result in Nuvoco losing market share, which may have a negative impact on its operations and financial condition. Additionally, Nuvoco's competitive advantage may be weakened by challenges such as a shortage of skilled workers along with rising labour costs.

### Mitigation Strategy

Nuvoco is well-prepared to address the risks associated with increased competition by prioritising exceptional customer experience, operational excellence and external focus. Its



customer-centric strategy is built on 3 (three) pillars: Quality, Innovation and Trust, which have demonstrated success over time. Nuvoco offers a diverse range of high-quality and innovative products, many of which are leaders in their respective markets. The CDIC serves as a customer interface, providing tailored solutions to meet the unique needs of the building materials sector. Customers value Nuvoco's products and recognise the benefits of paying market price for them. Additionally, Nuvoco has strong relationships with its suppliers, channel partners, and customers who trust and promote its products to potential clients and projects.

### Changes in the Regulatory Environment

#### Impact

Nuvoco is subject to various environmental laws and regulations that could affect its operations. An inability to comply with these regulations may result in increased legal costs, damage to Nuvoco's reputation and a decline in profitability. The regulatory environment is constantly changing, making it essential for Nuvoco to remain up-to-date with the latest requirements. In August 2018, the Supreme Court banned the import of pet coke and imposed restrictions on its use in certain industries, including cement. While exemptions were granted for some industries, there is a risk that the ban may be extended to exempted industries in the future. The Central Ground Water Authority ("CGWA") has also implemented strict laws, and is actively monitoring compliance. Changes in mining regulations and royalty rates may also affect Nuvoco's operations, and compliance with the amended Mines and Minerals (Development and Regulation) Act will be important.

#### Mitigation Strategy

Nuvoco upholds compliance with all legal and regulatory obligations, while also proactively pursuing sustainable practices in the pursuit of a low carbon footprint. Nuvoco's commitment to fuel flexibility extends to the development of strategies that enable kiln operations to operate independently of pet coke, while aligning with its concurrent pursuit of AFR initiatives. Additionally, Nuvoco diligently follows all prescribed Standard Operating Procedures ("SOPs") for handling hazardous materials, and adheres to established Government standards.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal financial controls are in place that are appropriate for the size and complexity of Nuvoco's activities. Throughout the year under review, the controls were examined and no serious flaws in their design or functioning were discovered. These internal controls are revisited time and again to ensure that they are adequate and adaptable to the ever-changing environment. The Board believes that Nuvoco's internal financial controls were adequate and effective during FY 2022-23, based on the framework of internal financial controls, function performed by internal and external consultants, including the Statutory Auditors' audit of internal financial controls over financial reporting and reviews performed by Management and the Audit Committee. The Board also believes that Nuvoco has put in place robust policies and procedures to ensure, along with other things, integrity in conducting business, asset protection, timely preparation of reliable financial information, accuracy and completeness in maintaining accounting records, fraud and error prevention and detection.

### HUMAN RESOURCES

An organisation's success is often dependent upon the level of employee satisfaction. Nuvoco understands this and has implemented progressive policies and procedures to ensure the well-being of its employees. As of March 31, 2023, Nuvoco has a workforce of 3,926 permanent employees, across its various operations and offices.

### Employee Engagement and Talent Development

Nuvoco places significant emphasis in ensuring that its workforce is well-informed and comprehends Nuvoco's goals, core values and expected conduct. Nuvoco is also devoted to nurturing young talent and has established mechanisms for identifying and grooming high-potential personnel. Nuvoco gives high priority in improving its processes and workforce to consistently deliver exceptional outcomes with the mission of becoming a **Leading Building Materials Company Delivering Superior Performance**. Moreover, Human Resources department was acknowledged by the Confederation of Indian Industry ("CII") for establishing efficient people development systems.

Career development is at the heart of Nuvoco's human resource strategy. To upskill employees and make them future-ready, Nuvoco launched Nuvoco University - an employee development initiative and an industry best practice that will transform the way employees will **Learn & Grow @ Nuvoco**. With this, employees across India will benefit from world-class learning offered through various innovative and disruptive learning methods using Classroom and Digital technologies. For e-learning, Nuvoco has partnered with LinkedIn Learning - an AI-based learning platform to enable employees to access learning Anywhere, Anytime, on Any device, delivering a hyper-personalised learning experience. Digital Learning has been well-received and gained good traction with 100% adoption.

Additionally, to build functional skills in technical areas, plant officers have received specialised training sessions on technical skills from the subject matter experts. Nuvoco has also leveraged the expertise of vendors through video conferences to assist with skill training at the plants.

Nuvoco's success has been attributed in large part to its dedicated and engaged workforce. Nuvoco's leadership values employee feedback and has established structured channels for gathering it. Furthermore, Nuvoco has been ranked as the 'Most Preferred Workplace 2022-23 in Manufacturing Industry'.

### Industrial Relations

Throughout FY 2022-23, all manufacturing units maintained friendly industrial relations. Both the union and workers pledged their support to assist Nuvoco in achieving optimal production levels and promoting a safe culture.

### Occupational Health and Safety

Nuvoco's health and safety performance in FY 2022-23 were comparatively excellent. The Loss Time Injury Frequency Rate ("LTIFR") was below the intended level.

In line with the guiding principle to work towards a goal of ZERO HARM and conduct the business in compliance with local legal and regulatory requirements, the main emphasis in FY 2022-23 was to continue ensuring the wellbeing of all employees and a safe work environment.

Nuvoco performed better in terms of Health and Safety ("H&S") than FY 2021-22. By the efforts on health and safety parameters, LTIFR has been reduced by 47% over FY 2021-22.

### Vigil Mechanism and Whistleblower Policy

Nuvoco is committed to comply with all relevant laws, rules, regulations and ethical standards, including the highest standards of corporate ethics, honesty and integrity. To that end, the Board has implemented a vigilance mechanism by adopting a 'Vigil Mechanism and Whistleblower Policy', that allows all stakeholders to raise concerns about unlawful or unethical activities openly. The policy provides a platform for stakeholders, including employees and directors to report any wrongdoing. The policy ensures that full confidentiality is maintained when dealing with such issues, and has in place safeguards to prevent any bias against anyone who raises a legitimate concern.

## Prevention of Sexual Harassment

Nuvoco is dedicated to promoting a positive work environment that is free from discrimination and gender bias. As an equal opportunity employer, Nuvoco has adopted a policy to prevent sexual harassment of women and any form of bias, based on gender. The policy includes the formation of an Internal Complaints Committee, that is responsible for investigating and addressing allegations of sexual harassment in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules issued under it.

## CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

Nuvoco has a steadfast dedication to sustainable development, which is reflected in its core value of Care. Nuvoco’s CSR initiatives aim to foster socially sustainable programs related to health, education, livelihood, and environmental protection by collaborating with pertinent stakeholders. The goal of these initiatives namely Sangrahit Bharat (Natural Resource Management), Swasth Bharat (Health), Shikshit Bharat (Education), Saksham Bharat (Livelihood and Skill Development) and Sanrachit Bharat (Rural Infrastructure Development), is to establish self-sufficient communities by means of sustainable development efforts, where local communities can effectively participate and improve their overall quality of life.

### Shikshit Bharat (Education)

The initiatives under Shikshit Bharat are focused on providing access to new-age education and improving the quality of education by providing better infrastructure facilities like setting-up library and computer labs, providing benches and tables, cardboard school bag-cum-desk kits, electricity, drinking water facilities, teaching aids, toilets and even, school boundary walls.

### Swasth Bharat (Health)

Bringing good health and hygiene to as many people as possible is the primary objective under Swasth Bharat. The focus is to provide access to primary health care, improved sanitation, and safe drinking water to the communities and to address the needs of adolescent girls. Nuvoco has adopted Anganwadis, in villages near the plant and upgraded them as model Anganwadis and also assisted them in improving their overall health service delivery in rural areas.

### Saksham Bharat (Livelihood and Skill Development)

Saksham Bharat is about giving opportunities to people by imparting new skills to the youth and women and enabling them to become self-reliant and improve the overall quality of life. Under this theme, Nuvoco has conducted skill development program for rural youths in association with specialised agencies. Post completion of their program, they are also assisted in securing placements as per skills gained by them. Nuvoco launched ‘NUVO Mason’ – a Masonry Skill Development Program—which comprises 300 hours of training on application

of brick masonry, plastering, putty, tile masonry and PCC work, certified by National Skill Development Corporation (“NSDC”). It aims at enhancing the masonry skills of youth and construction workers, empowering them, expanding their work opportunities, and improving their quality of life. The skilled masons will help meet customer expectations of constructing a safe, enduring and aesthetically pleasing homes.

Nuvoco has also invested in women empowerment programmes. In last 2 years, it has trained more than 250 girls from rural areas out of which 180 have been engaged in meaningful employment. Nuvoco is also working closely with more than 500 farmers in state of West Bengal to promote sustainable agriculture techniques and enhance their income by promoting agri-allied activities as well.

### Sangrahit Bharat (Natural Resource Management)

Natural resources are getting scarce with the increasing population, so it is essential to conserve them. Through this pillar, Nuvoco promotes use of renewable and clean energy, water harvesting and attempts to reduce carbon footprints by planting trees across all our sites. Nuvoco also takes efforts to reduce fossil fuel consumption and conserving water through initiatives like installing solar streetlights, solar plants, rainwater harvesting and pond deepening.

### Sanrachit Bharat (Rural Infrastructure Development)

Through this initiative, Nuvoco is working towards developing community infrastructure through the construction and repair of roads, refurbish the school buildings and build community centers along with boundary walls, improve drainage systems in villages and conduct tree plantations in communities and villages where we operate.

## CAUTIONARY STATEMENT

*Certain statements in the MDA section concerning future prospects may be forward-looking statements which involve a number of underlying identified/non-identified risks and uncertainties that could cause actual results to differ materially. In addition the foregoing changes in the macro-environment, may pose an unforeseen, unprecedented, unascertainable, and constantly evolving risk(s), inter-alia, to Nuvoco and the environment in which it operates. The results of these assumptions are made based on available internal and external information and form the basis for determining certain facts and figures stated in the report. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based are also subject to change accordingly. These forward-looking statements represent only Nuvoco’s current intentions, beliefs or expectations and any forward-looking statement speaks only as of the date on which it was made. Nuvoco assumes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.*