

MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMIC OVERVIEW

As per the provisional estimates, the Indian economy has registered a GDP growth rate of 8.2% in FY 2023-24, up from 7.0% in FY 2022-23. This robust growth is likely to have been driven by enhanced performance across key sectors, including mining and quarrying, manufacturing, and select areas of the services sector. The resilience demonstrated by the Indian economy can be accredited to increased public sector investment, a strong financial sector, and significant growth in non-food credit.

India is currently the fifth-largest economy in the world and is expected to continue to clock the highest GDP growth rate amongst the top five economies in the foreseeable future. India witnessed several pivotal developments throughout FY 2023-24 that significantly reinforced foreign investor confidence. As a result of some progressive government reforms and the growing investor confidence in India's growth story, the capital markets hit new highs with Nifty 50 index generating a return of 30.08% in FY 2023-24.

In the last three months of FY 2023-24, India witnessed a substantial increase in foreign investments in Government bonds, reflecting enhanced global confidence in its economic prospects. As per the latest figures available on May 31, 2024, India's foreign exchange reserves hit an all-time high of USD 651.5 billion driven by strong services exports and significant remittance inflows.

(Source: https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=22646)

Growth of the Indian Economy

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 (E)
Real GDP Growth (%)	3.7	(6.6)	8.7	7.0	8.2

E: Estimated

(Source: <https://pib.gov.in/PressReleaseDetailm.aspx?PRID=2022323#:~:text=The%20growth%20rate%20in%20Real,%20growth%20rate%20of%209.6%25.>)

The Government's economic policy agenda has been centred on revitalising India's growth potential. This involves strengthening the financial sector, streamlining business conditions to spur economic activity, and substantially enhancing both physical and digital infrastructure to bolster connectivity and thereby boost the manufacturing sector's competitiveness. In line with this vision, the Government implemented a range of economic reforms to foster a business-friendly environment, enhance ease of living, and fortify governance systems and processes.

The growth rate of sectors such as financial services, real estate, and professional services is estimated at a robust 8.4% in FY 2023-24. Although this marks a slight decrease from the 9.1% growth rate in FY 2022-23, it still reflects the strength and resilience of these sectors amidst ongoing economic reforms and improvements. Besides, the manufacturing sector's gross value-added growth was estimated at 9.9% in FY 2023-24 from (2.2)% in FY 2022-23. The construction gross value-added growth was estimated at 9.9% in FY 2023-24, on top of the 9.4% recorded in FY 2022-23. The public administration, defense and other services sector's gross value added was estimated at 7.8% in FY 2023-24 as against 8.9% in FY 2022-23.

The biggest component of services (trade, hotels, transport, and communication) was estimated at a growth rate of 6.4% in FY 2023-24 as against 12% in FY 2022-23. These developments overall suggest a robust economic environment conducive to both domestic and international investments.

(Source: <https://pib.gov.in/PressReleaseDetailm.aspx?PRID=2022323#:~:text=Key%20Highlights%3A,%25%20in%20FY%202022%2D23.>)

The agriculture, livestock, forestry and fishing sector were estimated at a growth rate of 1.4% in FY 2023-24, marking a seven-year low due to poor Kharif harvest and weak initial sowing of Rabi crops. The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 1.26% (Provisional) for the month of April, 2024 (over April, 2023). Positive rate of inflation in April, 2024 was primarily due to increase in prices of food articles, electricity, crude petroleum & natural gas, machinery & equipment and other manufacturing sectors. This was also among the key factors contributing to higher profitability of Indian corporates amidst sharply lower input costs in FY 2023-24. India's Consumer Price Index (CPI) inflation eased to 4.85% in March 2024 versus 5.09% in February 2024. The Government aims to moderate the CPI inflation and align it to a specified target on a durable basis for the best interest rate of the economy.

(Source: <https://pib.gov.in/PressReleaseframePage.aspx?PRID=2020521#:~:text=The%20rate%20of%20inflation%20based,5.52%25%20in%20April%2C%202024.>)

India has made significant strides in improving its infrastructure in recent years. The Government has spent ₹23 lakh crores on infrastructure over the three-year period from FY 2021-22 to FY 2023-24. The infrastructure focus is apparent as the capital spending to GDP ratio has almost doubled to 3.2% of GDP in FY 2023-24 from 1.6% of GDP in FY 2018-19. A significant focus was directed towards building roads, highways, and railways, with almost 40% of total capital spending allocated to these sectors through Government schemes such as Sagarmala Pariyojana, Bharatmala Pariyojana, and UDAN, among others. In the Interim Union Budget 2024-25, the Indian Government increased the infrastructure outlay by 11.11% from ₹10 lakh crores to ₹11.11 lakh crores, aimed at aligning the target of containing the fiscal deficit within the 4.5% threshold by FY 2025-26. The Government is planning to revisit various schemes such as FAME and Smart Cities Mission.

(Source: <https://pib.gov.in/PressReleaseframePage.aspx?PRID=2010223#:~:text=The%20growth%20rate%20of%20GDP,growth%20rate%20of%209.1%20percent>)

INDUSTRY OVERVIEW

Cement Industry

India is the world's second-largest cement market, after China, contributing 8% of the global installed capacity. The country's rapid urbanisation, expanding middle class income, and increasing demand for affordable housing, alongside developments in construction and infrastructure, are poised to fuel growth in the cement sector. India's abundant limestone deposits, distributed across the nation and characterised by both quantity and quality, position the cement industry for substantial growth opportunities.

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



In FY 2023-24, the sector's total capacity stood at 325-330 million tonnes per annum. The demand for cement is expected to grow by 7-8% during FY 2024-25, fuelled by a strong government push towards affordable housing and pre-election spending on infrastructure. Driven by increasing demand from the infrastructure and housing sectors, the industry is projected to expand capacity by 150-160 million tonnes between FY 2024-25 and FY 2027-28.

The Indian Government is focused on infrastructure development to spur economic growth and aims for full infrastructure coverage to establish smart cities. Additionally, the Government plans to increase railway capacity and enhance handling and storage facilities to improve cement transfer efficiency and reduce transportation costs. These measures are expected to boost construction activity across the country, further increasing the demand for cement in the coming years.

(Source: <https://www.crisilratings.com/en/home/newsroom/press-releases/2023/09/cement-demand-seen-up-10-12percent-this-fiscal-on-infra-spending.html>)

The cement industry tends to cluster around areas abundant in limestone deposits, aligning with the markets they serve. This clustering creates a regionalised and fragmented landscape within the industry. The Indian market is segmented into the key markets of Northern, Southern, Eastern, Central, and Western India. The eastern states of India represent emerging markets for cement companies, poised to enhance their financial performance significantly in the future. Over the next decade, India is positioned to become a leading exporter of clinker and grey cement to the Middle East, Africa, and other developing regions. The attractive profit margins and consistent demand are also expected to draw numerous foreign entrants into the Indian cement market.

GROWTH DRIVERS

Rapid Urbanisation: India is undergoing rapid urbanisation, driving the demand for infrastructure and construction projects. By CY 2030, India's urban population is expected to reach 600 million people. In response to this growing demand, the Government extended the PMAY scheme until December 31, 2024, to achieve the targeted housing objectives in both rural and urban projects.

Government Investment in Infrastructure: The Indian Government has been investing heavily in infrastructure development, including roads, bridges, airports and other projects. The average annual budgetary allocation of the Ministry of Road Transport & Highways (MoRTH) has increased by 940% to ₹2,70,435 crores during FY 2023-24 from ₹25,872 crores per year during 2009-14. India's National Highway (NH) network increased by 60% to 1,46,145 km in CY 2023 from 91,287 km in CY 2014. These investments are driving demand for cement as the primary building material for these projects.

(Source: [https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1988566#:~:text=Annual%20Budgetary%20Allocation%20of%20the,70%2C435%20Crore%20during%202023%2D24&text=The%20Ministry%20of%20Road%20Transport,of%20National%20Highways%20\(NHs\).](https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1988566#:~:text=Annual%20Budgetary%20Allocation%20of%20the,70%2C435%20Crore%20during%202023%2D24&text=The%20Ministry%20of%20Road%20Transport,of%20National%20Highways%20(NHs).))

Growing Economy: The steady growth of India's economy in recent years has resulted in increased demand for cement in various construction projects, including new buildings and infrastructure.

Increased Disposable Income: As disposable income in India increases, there is a growing demand for housing and other real

estate projects. Growing disposable incomes are anticipated to motivate individuals to purchase or build new houses. This is further expected to drive growth in the construction industry, which will drive demand for cement.

(Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=2010223>)

Increased Foreign Investment: India has become an attractive destination for foreign investment, driving the demand for infrastructure projects to support such investments. The country has witnessed a twenty-fold increase in FDI inflows from 2000-01 to 2023-24. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India has received a cumulative FDI inflow of USD 971.52 billion between April 2000 and December 2023, primarily attributed to Government initiatives to enhance the ease of doing business and relaxing FDI regulations. This surge in foreign investment has also stimulated growth in the construction sector, leading to a rise in demand for cement.

(Source: <https://www.investindia.gov.in/why-india>)

Rural Proxy: The rise in rural income over recent years has spurred an increase in demand for cement in individual dwellings, considering that 65% of India's population resides in rural areas. This trend is expected to persist, supported by various Government policy initiatives like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM), as well as women empowerment programmes and self-help groups (SHGs), all contributing to the growth of average daily income in rural households.

(Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1894901>)

Industrialisation and Commercial Construction: Industries such as construction, manufacturing, and mining play a pivotal role in driving the demand for cement, especially for industrial buildings and facilities. The commercial real estate sector has experienced a notable resurgence driven by the country's strong economic growth and increasing foreign investment. Furthermore, capital-intensive firms are intensifying their capital expenditure cycles, contributing further to the ongoing recovery.

Environmental Concerns and Regulations: Environmental concerns and regulations drive growth in the cement industry by fostering innovation and the adoption of sustainable technologies, leading to more efficient production processes. The increasing demand for green cement opens new market opportunities and can command higher prices. Companies that comply with or exceed environmental standards gain a competitive edge, attract environmentally-conscious investors, and can access incentives, all of which contribute to sustainable growth.

GOVERNMENT INITIATIVES AND INVESTMENTS

- Under the Sagarmala Programme, 839 projects with a total investment of ₹5.89 lakhs crores are currently in various stages of development.

(Source: <https://pib.gov.in/PressReleaseDetail.aspx?PRID=2004338>)

- The Government has extended Pradhan Mantri Awas Yojana Gramin (PMAYG) completion deadline till December 2024, in which 2.95 crores houses will be built according to the revised targets.

(Source: <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=2003570>)

- The Western Dedicated Freight Corridor is targeting the commissioning of 460 km by 2024.

- Phase 1 of the Bharatmala Pariyojana aims to award 66% of the total 34,800 km contracts by FY 2025-26. Approximately 20,000 kilometers of roads are yet to be constructed under Phase 1 of the Bharatmala Pariyojana. This includes around 3,600 kilometers in the eastern region covering the Eastern Region.
- The development of six 'Twin City' airports is planned to be completed by 2030.
- The Airports Authority of India (AAI) has allocated over ₹98,000 crores for capital expenditure, including ₹25,000 crores, during 2019-24 for the development, upgradation, and modernisation of airports.

(Source: <https://pib.gov.in/PressReleaseDetail.aspx?PRID=2004338>)

OUTLOOK

In FY 2023-24, India's cement industry capacity stood at 425-430 million tonnes per annum (MTPA) which is poised to increase by 150-160 MTPA by FY 2027-28, capitalising on the expected upswing in demand from the infrastructure and housing sectors. Approximately 70-75 million tonnes of additional capacity is anticipated to come online in FY 2024-25, with around 50-55% of this concentrated in the eastern and central regions. Major players are projected to contribute 50-55% of the planned capacity expansion. Nevertheless, the growth in prices is envisaged to be constrained by incremental supply and intense competition. However, favourable cost dynamics are anticipated to support and bolster margins. Strong demand over the last two financial years has strengthened the balance sheets of large cement companies and some mid-sized ones with substantial market presence, prompting them to expand their capacities fuelled by healthy cash accrual and credit profile.

(Source: <https://www.crisil.com/en/home/newsroom/press-releases/2024/01/cement-makers-to-add-150-160-mtpa-capacity-by-fiscal-2028.html>)

SECTORIAL SWOT ANALYSIS

Strengths

- High Demand:** Cement is a critical building material used in the construction of residential, commercial, and infrastructure projects thus ensuring sustained demand for the product.
- Established Market Players:** India's cement industry boasts numerous well-established players and renowned brands, and a broad market presence. This ensures competitiveness, market stability, innovation, and economic growth.
- Strong Supply Chain:** Supported by an efficient and robust network, the cement industry ensures prompt and economical distribution of its products.
- Cost-Efficient:** Cement manufacturing maintains cost-effectiveness as a hallmark, with industry leaders persistently innovating in technology to enhance operational efficiency and cost reduction.

Weaknesses

- Price-Sensitive Market:** India's cement market is highly price-sensitive, with customers often switching to cheaper alternatives.
- Susceptibility to Volatility in Input Cost:** Profitability in the industry is sensitive to fluctuations in input prices, including raw materials, power, gasoline, and freight. For instance, the rise in pet coke costs in the past year has negatively impacted the profitability of cement players.

Various factors such as demand, supply, offtake, and geographical considerations all influence realisations and profitability in the cement industry.

- Cyclical Sector:** Cement sector, being cyclical, follows the trends in the overall economy, which makes their demand volatile. The sector follows all the cycles of the economy, from expansion to peak and recession, and all the way to recovery.

Opportunities

- Infrastructure Development:** India's infrastructure sector is witnessing massive investments in roads, railways, airports, and urban infrastructure. This translates to a substantial demand for cement, making it a lucrative market for cement manufacturers.
- Housing Sector:** With the government's focus on affordable housing and urbanisation, there is a growing demand for cement in the residential construction segment. This presents an opportunity for cement companies to cater to the needs of this burgeoning market.
- Export Potential:** India's cement industry has the potential to become a major exporter of cement due to its strategic location, cost competitiveness, and quality products. Cement manufacturers can explore export opportunities in neighboring countries and other emerging markets.
- Technology Adoption:** Adoption of advanced technologies such as automation, robotics, and digitalisation can enhance efficiency, reduce costs, and improve product quality. Cement companies investing in these technologies can gain a competitive edge in the market.
- Sustainable Practices:** There is a growing focus on sustainability and environmental conservation in the cement industry. Cement manufacturers can explore opportunities in producing eco-friendly cement, using alternative fuels and raw materials, and adopting green practices to meet the evolving market demands.
- Logistics Optimisation:** Improving logistics and distribution networks can help cement companies reduce transportation costs and improve supply chain efficiency. Investing in infrastructure like railways, ports, and roadways can further enhance market reach and competitiveness.
- Government Initiatives and Policies:** Government initiatives like 'Make in India' and policy reforms in the construction sector can provide a conducive environment for the growth of the cement industry. Cement companies can align their strategies with these policies to leverage the opportunities presented by them.

Threats

- Power and Fuel Cost:** Power and fuel costs pose a significant impact on the cement industry, as fluctuations can drastically increase production expenses and impact profit margins. Additionally, high energy prices can undermine the industry's competitiveness in the market.
- Regulatory Changes:** Changes in Government policies, such as import/export duties, can considerably impact the profitability of the cement industry.

COMPANY OVERVIEW

Nuvoco ('The Company'), encompassing Nuvoco Vistas Corporation Limited and NU Vista Limited (NVL), stands as a prominent cement manufacturing entity with a vision aimed at 'Building a Safer, Smarter and Sustainable World'. Having commenced its operations in 2014 with the establishment of a greenfield cement plant in Nimbol, Rajasthan, Nuvoco further



expanded its presence by acquiring Lafarge India Limited in 2016 and NVL in 2020. Currently, Nuvoco is the fifth largest cement group in India in terms of capacity and a leading player in the East. Nuvoco's growth trajectory is marked by strategic acquisitions, with its cement capacity scaling up to 25 MMTPA, doubling its installed capacity within the last five years.

Nuvoco operates 11 cement manufacturing plants including 5 integrated unit and 6 grinding units across West Bengal, Bihar, Odisha, Chhattisgarh, and Jharkhand in East India, as well as Rajasthan and Haryana in North India. Nuvoco also operates with 58 RMX plants and 16 Offices (including the Head Office, CDIC, and Regional Sales Offices). These facilities are strategically located to meet customer demands efficiently. All integrated plants are equipped with modern Waste Heat Recovery Systems (WHRS) with a total capacity of 44.8 MW. Additionally, Nuvoco boasts a Captive Power Plant (CPP) capacity of 150 MW and a Solar Power Plant (SPP) capacity of 5.3 MW.

Nuvoco's business portfolio operates across three segments: Cement, Ready-Mix Concrete (RMX), and Modern Building Materials (MBM). The Company's Cement product range includes renowned brands such as Concreto, Duraguard, Double Bull, PSC, Nirmax, and Infracem. These brands cover a comprehensive range of customer needs with Ordinary Portland Cement (OPC), Portland Slag Cement (PSC), Portland Pozzolana Cement (PPC), and Portland Composite Cement (PCC). These products cater to both individual home builders and institutional customers by utilising high-quality raw materials and consistently delivering superior cement products. As a result, Nuvoco has received top regulatory ratings.

In FY 2023-24, Nuvoco introduced key products that have set new benchmarks in the industry. Concreto Uno is a standout product, offering unique water-repelling properties that protects structures from water ingress, dampness, and efflorescence, thereby enhancing durability and protection. It was initially launched in Bihar in FY 2022-23 and expanded to Jharkhand in FY 2023-24, where it is rapidly gaining market share in the Eastern region.

Another significant product, Duraguard F2F, is a high-quality composite cement that enhances workability, provides a superior finish, and strengthens construction against harmful waterborne pollutants from foundation to finish.

Duraguard Microfiber featuring India's first patented microfiber technology, reduces cracks effectively. This premium Portland Pozzolana Cement (PPC), packaged in laminated polypropylene bags helps to maintain its freshness and represents an innovative step forward in enduring construction materials.

Additionally, the Company recently commissioned a 1.2 MMTPA grinding unit at its Haryana Cement plant, boosting its overall cement capacity to 25 MMTPA. With these advancements, Nuvoco continues to lead in delivering innovative, high-quality solutions that meet the evolving needs of the construction industry.

Nuvoco's RMX product range includes Concreto (performance concrete), Artiste (decorative concrete), InstaMix (ready-to-use bagged concrete), X-Con (M20 to M60 grades), and Ecodure (special green concrete). The Company has added two new products to its RMX product range: InstaMix Superior Column Concrete, which offers the significant advantage of early de-shuttering of cast columns and Artiste Industrial Craft Flooring Concrete, which provides an innovative solution that redefines the conventional approach to flooring. The applications of Artiste Industrial Craft Flooring Concrete range from

manufacturing facilities, warehouses, and distribution centers to parking areas, podiums, cold storage units, exhibition and convention centers, data centers, and office spaces.

Nuvoco's RMX product range have contributed to landmark infrastructure projects such as the Mumbai-Ahmedabad Bullet Train, Birs Munda Hockey Stadium in Rourkela, Aquatic Gallery Science City in Ahmedabad, and various Metro Railway projects in Delhi, Jaipur, Noida, and Mumbai.

In FY 2023-24, Nuvoco made significant strides in its RMX segment. 7 new RMX plants were commissioned, increasing the total number of plants across India to 58. This reflects Company's strong focus on increasing its pan-India footprint. Additionally, the Company stays committed to its strategy of premiumisation with value-added products which comprise ~31% of the total sales volume for the year.

The MBM business serves as a distinguishing factor for the Company. Under the brand name Zero-M, the Company offers cutting-edge solutions in the building materials industry through a varied range of products, including Construction Chemicals, Multipurpose Bonding and Waterproofing Agents, Wall Putty, Tile Adhesive, Ready-Mix Dry Plaster, and Cover Blocks. These products cater to different construction applications, providing efficient solutions that save time, cost, and resources.

OPERATIONAL PERFORMANCE

Nuvoco continuously strives for operational excellence through various measures aimed at optimising processes and enhancing efficiency. The Company's focus is on the optimal utilisation of pet coke, coal, and alternative fuels and raw materials (AFR). To achieve this, AFR systems have been installed at all its integrated units. Nuvoco increased the proportion of AFR in its fuel mix to 13% in FY 2023-24 from 9% in FY 2022-23, surpassing the industry average of 10%. Furthermore, the strategic implementation of state-of-the-art fuel feeding systems at the Nimbol and Risda cement plants, allows to consume alternate fuels in an efficient and effective way leading to significant cost savings.

Nuvoco has also prioritised power efficiency by installing Waste Heat Recovery systems (WHRS) at all its integrated units. During the year, Nuvoco expanded its solar power capacity to 5.3 MW from 1.5 MW by installing 2.4 MW at the Odisha grinding unit and 1.4 MW at the Bihar grinding unit. These initiatives are expected to further reduce power costs.

Technologies such as AI optimisation at the Chittor Cement plant, along with advanced control systems providing real-time monitoring, has maximised kiln and WHR efficiency. Nuvoco achieved a 13% AFR in FY 2023-24, demonstrating its commitment to utilising alternative fuels and sustainability.

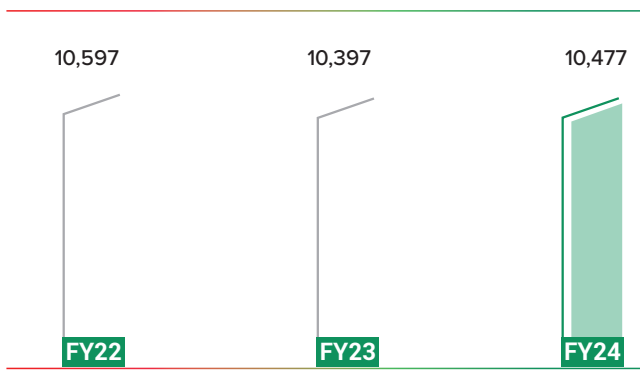
To ensure operational reliability and efficiency, the Total Productive Maintenance (TPM) system, known as LEAP-O, minimises downtime and maintenance costs. This system is supported by regular energy audits that help identify and address energy wastage.

The Project BRIDGE 1.0, which focused on enhancing efficiency to achieve cost savings, resulted in a savings of ~ ₹30 per tonne in FY 2023-24. Nuvoco continues to emphasise margin improvement through initiatives such as premiumisation, innovation, geo-optimisation, trade share enhancement, fuel mix optimisation, brand reinforcement, and cost efficiency.

Additionally, the Company has initiated a channel integration programme, offering its premium brands Concreto and Duraguard Microfiber through the Double Bull channel.

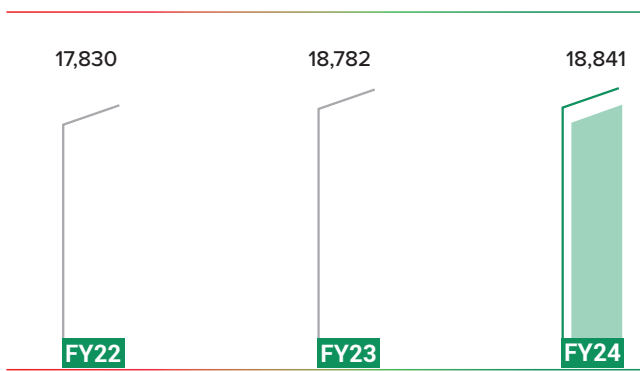
Clinker

(Production in KT)



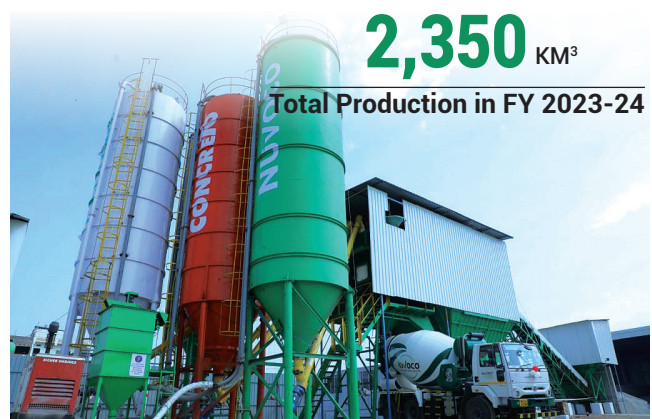
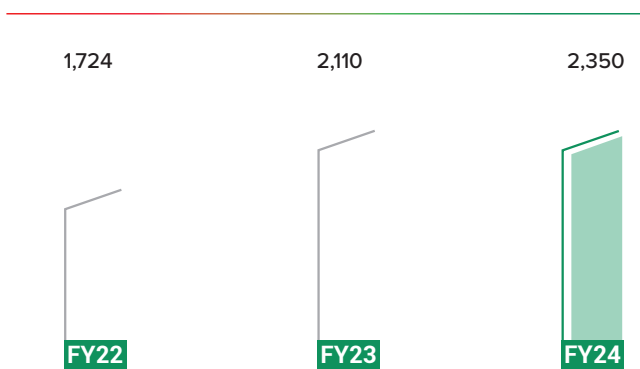
Cement

(Production in KT)



Ready-Mix Concrete

(Production in KM³)





FINANCIAL PERFORMANCE

(₹ in crores)

Description	Standalone		Consolidated	
	FY 2023-24	FY 2022-23	FY 2023-24	FY 2022-23
Revenue from Operations	8,939.23	8,581.52	10,732.89	10,586.17
Other Income	119.97	97.79	33.49	13.21
Total Revenue	9,059.20	8,679.31	10,766.38	10,599.38
Expenditure				
Cost of Materials Consumed	1,633.26	1,426.87	1,741.39	1,764.95
Purchases of Stock in Trade	1,102.79	1,003.32	145.62	44.33
Changes in Inventory	45.65	(6.95)	66.69	(23.59)
Power and Fuel	1,571.08	2,013.36	2,140.19	2,792.34
Freight and Forwarding Charges	1,853.65	1,858.72	2,928.50	2,818.25
Employee Benefit Expenses	556.96	481.45	681.77	605.51
Other Expenses	1,076.17	985.25	1,405.02	1,374.00
Total Expenditure	7,839.56	7,762.02	9,109.18	9,375.79
EBITDA	1,219.64	917.29	1,657.20	1,223.59
EBITDA Margin (%)	14%	11%	15%	12%
Depreciation	643.76	696.20	918.64	951.13
Finance Costs	367.98	353.32	532.63	511.90
Profit/(Loss) before Exceptional Item and Tax	207.90	(132.23)	205.93	(239.44)
Exceptional Item	-	238.22	-	405.80
Income Tax	54.87	(460.62)	58.56	(661.10)
Profit after Tax (PAT)	153.03	90.17	147.37	15.86

Revenue from Operations

The growth of Nuvoco's Revenue from Operations remained flat in FY 2023-24 over a year-on-year basis compared to the previous year.

Sales Volume

During the year, the volume of cement sold was 18,773 KT compared to 18,803 KT in FY 2022-23. Nuvoco maintained a solid leading position in the Eastern markets. The average selling price (net of taxes) rose to ₹5,197/T in FY 2023-24 from ₹5,123/T in FY 2022-23. Also, RMX volume increased to 2,350 Km³ in FY 2023-24 from 2,110 Km³ in FY 2022-23.

Raw Material Cost

Nuvoco's raw material costs form a substantial part of operating costs. Raw material costs for cement operations decreased by 3% to ₹598/T in FY 2023-24 from ₹619/T in FY 2022-23 on account of decrease in usage of slag and fly ash price.

Power and Fuel

During the year under review, the Company's power and fuel expenses for cement operations decreased by 23%, to ₹1,135/T in FY 2023-24 from ₹1,480/T in FY 2022-23 primarily on account of reduction in coal and pet coke prices, increase in AFR usage, and increase in linkage coal mix and reduction in grid mix.

Freight and Forwarding

During the year, Nuvoco's cement operations freight and forwarding costs increased by 4% to ₹1,514/T in FY 2023-24 from ₹1,457/T in FY 2022-23 primarily on account of busy season surcharge in rail freight.

Employee Benefit Expenses

Nuvoco firmly considers its employees to be its most valuable asset. Accordingly, the Company prioritises their training and retention, ensuring they have the necessary skills and support to excel in their roles. Nuvoco's commitment to employee development is reflected in its annual increments, which are in line with industry standards. By offering competitive compensation and opportunities for growth, the Company aims to boost productivity and enhance the efficiency of its workforce.

Finance Costs

During the year under review, the Company's finance costs increased to ₹532.63 crores in FY 2023-24 from ₹511.90 crores in FY 2022-23 primarily on account of higher working capital requirement and increase in unwinding of interest on lease liabilities.

Cash Flow

The net cash outflow during the year under review stood at ₹(94.91) crores as compared to the net cash inflow of ₹89.36 crores in FY 2022-23. The cash flow from operating activities was lower and stood at ₹1,592.54 crores as compared to ₹1,711.40 crores in the previous year. Net cash outflow from investing activities during the year under review stood at ₹573.36 crores as compared to ₹260.36 crores in FY 2022-23. Lastly, net cash outflow from financing activities stood at ₹1,114.09 crores as compared to cash outflow of ₹1,361.68 crores in the previous year. During the year under review, Nuvoco spent ₹498.54 crores in interest and other financial costs as compared to ₹470.72 crores in the previous year.

Key Ratios

Particulars	FY 2023-24	FY 2022-23
Debtors Turnover Ratio	14.12	14.23
Inventory Turnover Ratio	10.56	9.71
Interest Service Coverage Ratio	3.23	2.85
Current Ratio	0.57	0.63
Debt Equity Ratio	0.46	0.52
Operating Margin (%)	15.41	11.76
Net Profit Margin (%)	1.40	0.15
Return on Equity (%)	1.65	0.18
Return on Capital Employed (ROCE) (%)	5.49	1.99
Earnings per Share	4.13	0.44

Performance of Unlisted Material Wholly Owned Subsidiary, NU Vista Limited ('NVL')

NVL, wholly owned by Nuvoco Vistas Corp. Limited, is primarily engaged in the manufacturing and marketing of cement and Building Material product. An overview of NVL's operational and financial performance for the year under review is given below:

- Cement sales volume stood at 7,986 KT, registering a decrease of 3% compared to FY 2022-23.
- EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) for FY 2023-24 was clocked in at ₹529.66 crores, up from ₹390.93 crores in FY 2022-23.
- The Profit after Tax in FY 2023-24 was recorded at ₹45.11 crores compared to a loss of ₹141.43 crores in FY 2022-23. Loss during the previous year was primarily due to the exceptional item of ₹167.58 crores pertaining to the provisions for time of value relating to Panagarh incentive.

RISK MANAGEMENT

Raw Material and Fuel Price Volatility

Impact

The cement industry, known for its capital, energy, and raw material intensity, faces significant challenges in ensuring fuel and raw material security. The ongoing tension in Red Sea region adds another layer of complexity, potentially affecting supply chains and further challenging profitability. Additionally, any fluctuations in fuel and raw material prices may pose threats to Nuvoco's bottom line. Operating expenses & bottom line heavily depends on energy and raw material costs, making an uninterrupted supply crucial for business continuity.

Mitigation strategy

Nuvoco employs a comprehensive strategy to address these challenges. The Company optimises the fuel mix for fuel security, enhances plant efficiency, and increases the utilisation of alternative fuels. The Company has explored opportunities to integrate waste materials into their manufacturing processes as alternative fuels. Thorough research was conducted to identify cost-effective raw materials without compromising quality. The Company also focused on enhancing the utilisation of Alternative Fuel and Raw Materials (AFR) to 13% to reduce dependency on traditional fossil fuels and mitigate environmental impact. In addition, Nuvoco has long terms supply agreements for key raw material and fuel which to an extent mitigate the risk of non-availability.

Technological Advancements

Impact

Remaining abreast of the latest technological advancements is imperative for Nuvoco. Failure to do so could lead to heightened production costs, diminished efficiency, and reduced profitability.

Mitigation strategy

Nuvoco has made substantial investments in cutting-edge facilities and technical advancements to bolster its operational efficiency. The Company's robust research and development capabilities and modern infrastructure support all its product lines. The Construction Development and Innovation Centre (CDIC) serves as a pivotal customer interface offering tailored solutions for the building materials sector's specific requirements. Nuvoco prioritises local innovation, consistently investing in existing technologies' maintenance while embracing emerging advancements. The Company strongly emphasises leveraging technology in product development, innovation, and manufacturing processes to elevate the quality of its offerings.

The introduction of a reverse bidding engine for freight management at the Nimbol Cement Plant has resulted in cost-effectiveness and operational efficiency, later replicated at the Chittor Cement Plant. Engagements with esteemed institutions like IIT Madras have commenced, leading to various formulations developed and validated at the National Council for Cement and Building Materials (NCCBM).

Additionally, Nuvoco has streamlined operations by merging two separate SAP instances—NVCL and NVL—into a single cohesive system, improving efficiency and consistency in master data management. The Company's focus on Artificial Intelligence (AI) and Machine Learning (ML) aims to automate processes across all plants.

Furthermore, Nuvoco's innovative initiatives, such as NuvoNirmaan, 'Captain Nuvoco' D2C Home Assist App and Tech Express Vehicles manned by skilled civil engineers, demonstrate its commitment to providing comprehensive guidance and services to customers across all stages of homebuilding.

Transforming Economic and Industry Dynamics

Impact

Nuvoco recognises that economic downturns and sluggish sector growth can pose challenges, potentially hindering consumption levels and causing delays in the execution of expansion plans. During such periods, the Company remains vigilant and proactive, monitoring market trends closely and adjusting its strategies to mitigate the impact. Nuvoco's focus on efficiency and flexibility allows it to navigate through these challenges with resilience, ensuring that it can adapt and respond effectively to changing market conditions.

Mitigation strategy

Nuvoco's cement products are in high demand in the core markets of East and North India, backed by a loyal dealer base. This strong market presence insulates the Company from significant demand fluctuations.

Nuvoco's dedication to maintaining a flexible business model allows it to adapt swiftly to changing economic conditions. This commitment enables the Company to respond effectively to evolving market dynamics. Furthermore, the Company prioritises strengthening relationships with suppliers and partners to collaboratively navigate uncertainties, enhancing its resilience in a dynamic business environment.



Increased Competition

Impact

In the fiercely competitive cement industry, Nuvoco faces formidable competition from both established players and newcomers. Failing to compete effectively could lead to a loss of market share, thereby potentially adversely affecting the Company's operations and financial health. Furthermore, Nuvoco's competitive edge may be eroded by obstacles such as scarcity of skilled labour and escalating labour expenses.

Mitigation strategy

Nuvoco is well-prepared to tackle the challenges posed by rising competition by strongly emphasising the delivery of exceptional customer service, maintaining operational excellence, and staying externally focused.

At the core of its customer-centric approach are three pillars: Quality, Innovation, and Trust, which have proven their effectiveness over time.

The Company's strategic focus is on delivering value over volume, prioritising the sale of the right products in the right markets to maximise shareholder value, rather than solely pursuing market share.

Nuvoco excels in sourcing raw materials, maintaining long-term tie-ups that enable it to manage costs effectively, on par with other leading industry players. The CDIC serves as a vital interface with customers, offering tailored solutions that cater to the unique requirements of the building materials sector.

Customers highly value Nuvoco's products and recognise the inherent benefits of paying market prices for them. Additionally, the Company has fostered strong relationships with its suppliers, channel partners, and customers, who trust and actively promote its products to potential clients and projects. The Company's customer-centric approach is evident in its efforts to innovate and provide sustainable products. This focus on customer needs has helped strengthen the Nuvoco brand.

Regulatory Changes

Impact

Nuvoco operates within a regulatory framework governed by various environmental laws and regulations, which could substantially affect its operations. Non-compliance with these regulations may lead to increased legal expenses, reputational damage, and a decline in profitability. Given the dynamic nature of the regulatory landscape, it is imperative for Nuvoco to stay abreast of the latest requirements. Changes in mining regulations and royalty rates also pose potential challenges to Nuvoco's operations. Therefore, ensuring compliance with the amended Mines and Minerals (Development and Regulation) Act and other applicable laws, is crucial for the Company's continued success.

Mitigation strategy

Nuvoco remains firm in its adherence to all legal and regulatory requirements while actively engaging in sustainable practices to minimise its carbon footprint. It is also vigilant about upcoming regulatory changes and updates, ensuring that the Company stays informed and compliant. This commitment is reflected in the continuous development and updating of internal compliance procedures to ensure strict adherence to regulations.

The Company's dedication to fuel flexibility extends to the formulation of strategies aimed at enabling kiln operations to operate independently of pet coke, while also advancing its Alternative Fuel and Raw Material (AFR) initiatives. Moreover, Nuvoco diligently follows all prescribed Standard Operating Procedures (SOPs) for safely handling hazardous materials and strictly complies with established Government standards.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Nuvoco upholds internal financial controls tailored to the size and complexity of its operations. Throughout the fiscal year, these controls underwent thorough assessment, revealing no significant flaws in their design or functionality. Regular reassessments ensure their adequacy and adaptability to the evolving business landscape.

The Board confirms the robustness and effectiveness of Nuvoco's internal financial controls during FY 2023-24. This assessment was based on the framework of internal financial controls, evaluations conducted by internal audit team in-house, including the Statutory Auditors' audit of internal financial controls over financial reporting, as well as reviews undertaken by Management and the Audit Committee.

Furthermore, the Board asserts that Nuvoco has implemented policies and procedures to uphold integrity in business conduct, safeguard assets, ensure the timely preparation of accurate financial information, maintain the accuracy and completeness of accounting records, and prevent and detect fraud and errors.

HUMAN RESOURCES

Nuvoco is dedicated to crafting workplaces that inspire and ignite passion, evolving from a foundation of culture of trust, mutual respect, and inclusivity. Its people are the most valuable asset, integral to the organization's growth. Their determination and ambition significantly contributes to achieving Company's vision.

A promising commitment from employees lays the groundwork for an enhanced customer experience. To foster this commitment, the Company rolled out a range of initiatives aimed at creating an environment that would help employees stay committed and thrive. These included designing progressive people policies and procedures, rewards and recognition programs, and has implemented physical and mental wellness sessions to ensure the well-being of its employees.

As of March 31, 2024, Nuvoco had a workforce of 4,092 permanent employees, spread across its various operations and offices.

Employee Engagement and Talent Development

Nuvoco emphasises ensuring that its workforce is well-informed and fully aligned with the Company's goals, core values, and expected conduct. Prioritising process improvement and workforce development, Nuvoco strives to consistently achieve exceptional outcomes, with the overarching mission of **becoming a leading building materials Company delivering superior performance.**

Nuvoco's dedication to building a world-class team and fostering a culture of execution excellence has earned it recognition as one of the most preferred workplaces. This commitment is further affirmed by accolades from the Confederation of Indian Industry (CII) for implementing an efficient people development system.

The Company's strong focus on capacity building and learning is evident by the statics achieved during FY 2023-24, with nearly 96% of our employees dedicated their time to self-development through diverse learning programs, with an average of over 30 hours per employee. The NuView Employee Engagement Survey report released in December 2023 revealed that Learning and Development emerged as a key area of satisfaction among Nuvoco's employees.

To equip employees with the skills to enable them **future ready @Nuvoco**, the Company introduced digitally learning platforms like the Nuvoco University and the Manufacturing and Sales Academy - an employee development initiative and industry best practice aimed at transforming the learning and growth experience at Nuvoco. The Company is also investing in

developing leadership skills to create leaders for tomorrow @ Nuvoco, its new Leadership Competency Framework, includes programmes like FITCHAMP.

To enrich the overall learning experience of its employees, the Company has integrated digital learning platforms with virtual and classroom training. By gamifying virtual learning and collaborating with esteemed institutions such as IIT Madras and LinkedIn Learning, it further bolstered the employee development initiatives and ensure that employees stay abreast of industry trends and capabilities.

Career advancement lies at the heart of Nuvoco's human resource strategy. Various initiatives are introduced to improve employee experience. These include Digital Hiring/Candidate journeys, seamless Onboarding, transparent and fair Performance Management, competitive rewards, world class Learning platforms, Employee Wellness covering mental, physical and financial aspects, Recognition schemes to motivate & award employees are some of the key initiatives.

The Company launched the Employee Value Proposition (EVP) initiative titled "Enabling You to be Future-Ready". This initiative is structured around four key pillars: Leadership, Learning, Career, and Care. Additionally, the talent assessment system, known as the O&HR Process, has been established to identify employee potential. It serves as the foundation for talent development, succession planning, and career advancement.

Technology and digital tools for HR processes are vital for enhancing employee experience. Nuvoco introduced Nuvoco Employee Self-service Tool (NEST) for seamless access to various HR activities such as Talent Management, Recruitment, Performance Management, Learning Management, Onboarding, and Employee Central. In FY 2023-24, NuTEP, a digital expense management solution, was launched for real-time tracking and faster reimbursements. Additionally, Nu Smiles, a dynamic spot recognition program, was introduced through NEST to foster peer-to-peer recognition among employees.

Employee communication has been robust ensuring that employees are fully aware of what is going on in the organisation and what their responsibilities are. There are communications from Managing Director, other Leadership at regular frequency to align and engage employees and build the right organisational culture. Moreover, structured channels are in place to receive employee feedback, promoting transparency and continuous improvement.

Industrial Relations

Throughout FY 2023-24, every manufacturing unit within Nuvoco experienced a period of harmonious industrial relations. The unions and workers exhibited strong support, committing to assist Nuvoco in achieving optimal production levels and fostering a safe work culture.

Occupational Health and Safety

At Nuvoco, safety is paramount, reflecting a steadfast commitment to prioritising the well-being of its employees, contractors, and neighbouring communities. Despite an increase in the Lost Time Injury Frequency Rate (LTIFR) from 0.19 to 0.28, the Company upholds a 'ZERO HARM' philosophy, underscoring its dedication to health, safety, and the environment.

Stringent safety protocols are seamlessly integrated into operations, complemented by on-site resident doctors who provide regular check-ups and personalised care. In FY 2023-24, Nuvoco extended extensive medical insurance coverage for employees and their families, supplemented by

annual health assessments and discounted rates for extended family members.

Key focus areas for FY 2023-24 encompassed training and awareness initiatives, emphasis on safety performance indicators, project safety enhancements, and safety campaigns. Notably, the Company's manufacturing plants and mines were lauded with 29 prestigious awards from esteemed bodies such as CII, ICC, OHSSAI, and DGMS for their dedication to safety excellence.

Vigil Mechanism and Whistleblower Policy

Nuvoco maintains a firm commitment to uphold all pertinent laws, regulations, and ethical norms, including the highest standards of corporate ethics, honesty, and integrity. To reinforce this commitment, the Board has instituted a vigilant mechanism by adopting a 'Vigil Mechanism and Whistleblower Policy'. This policy empowers all stakeholders to raise concerns regarding unlawful or unethical activities openly.

By offering a dedicated platform accessible to both employees and directors, the policy guarantees that any misconduct can be reported without fear of retaliation. The Company has also instituted rigorous protocols to maintain absolute confidentiality during the reporting process. Additionally, measures are in place to prevent bias against those who voice legitimate concerns, promoting a culture of accountability and transparency within the organisation.

Prevention of Sexual Harassment

Nuvoco is committed to fostering a positive work environment that is devoid of discrimination and gender bias. As an equal opportunity employer, the Company has implemented a comprehensive policy to prevent sexual harassment and any form of gender-based bias. This policy encompasses the formation of an Internal Complaints Committee tasked with investigating and addressing sexual harassment allegations in strict adherence to the provisions outlined in the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013, and the corresponding rules.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Nuvoco is deeply committed to sustainable development, encapsulated in its core value of Care. Through its CSR initiatives, the Company endeavours to foster socially sustainable programmes in health, education, livelihood, and environmental protection by engaging with relevant stakeholders. The initiatives that Company supports fall under the five pillars of Corporate Social Responsibility (CSR), namely Sangrahit Bharat (Natural Resource Management), Swasth Bharat (Health), Shikshit Bharat (Education), Saksham Bharat (Livelihood and Skill Development), and Sanrachit Bharat (Rural Infrastructure Development). It's aim is to cultivate self-sufficient communities through sustainable development efforts, enabling local participation and enhancing overall quality of life.

Under **Shikshit Bharat** (Education), the focus lies on providing access to modern education and enhancing its quality through improved infrastructure facilities such as smart classes, computer labs, benches, tables, teaching aids, and sanitation amenities.

Swasth Bharat (Health) aims to promote good health and hygiene by providing access to primary healthcare, improved sanitation, and safe drinking water, particularly addressing the needs of adolescent girls. Nuvoco supports and upgrades Anganwadis, enhancing health service delivery in rural areas.

Saksham Bharat (Livelihood and Skill Development) focuses on empowering youth and women by imparting new skills, facilitating self-reliance, and improving overall quality of life. Through skill development programmes and initiatives like



'Nuvo Mason', Nuvoco empowers construction workers and youth, enhancing job opportunities and improving living standards.

Furthermore, Nuvoco invests in women empowerment programmes, training rural girls and facilitating their employment. In collaboration with farmers in West Bengal, the Company promotes sustainable agriculture techniques to enhance income and agri-allied activities.

Sangrahit Bharat (Natural Resource Management) emphasises on the conservation of natural resources, promoting renewable energy, water harvesting, tree planting, and reducing carbon footprints through initiatives like solar panel installations, rainwater harvesting, and plantations.

Sanrachit Bharat (Rural Infrastructure Development) focuses on enhancing community infrastructure by constructing and repairing roads, refurbishing school buildings, constructing community centres, improving drainage systems, and conducting tree plantations in communities where Nuvoco operates.

CAUTIONARY STATEMENT

Certain statements in the MDA section concerning future prospects may be forward-looking statements that 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.