MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY OVERVIEW:

The journey over the past few years has been eventful, starting with supply-chain disruptions in the aftermath of the pandemic, the Russia-Ukraine war that triggered a global energy and food crisis, and a considerable surge in inflation, followed by a globally synchronised monetary policy tightening. The global GDP is estimated to have grown at 3.2% in Calender Year 2023, lower than 3.5% in Calender Year 2022, led by fears of a hard recession. Yet, despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major merging market economies did not suffer sudden stops. Economic growth has been stronger than expected in the second half of Calender Year 2023 in the United States, and several major emerging market and developing economies. However, the rising momentum was not felt everywhere, reflecting weak consumer sentiment, the lingering effects of high energy prices, and weakness in interest-rate-sensitive sectors. And lastly, the on-going Red sea crisis that has plunged certain shipping routes into uncertainty, and consequent rising shipping costs, is a reminder of the volatile world that we live in.

AIA Engineering Limited (AIA), manufactures various size of High Chrome Grinding Media balls which is parts for Mill Internals being that are used in the process of Crushing and Grinding in Cement, Mining and Thermal Power industries. The Company employs casting process for the manufacture of these products.

In Financial Year 2023-24, the world had largely come out of the impacts due Covid-19 pandemic linked uncertainities. However the world continues to be highly volatile with several parts of the world under-going serious conditions of war, unrest and political uncertainty. Europe and the world continue to be impacted by the war between Russia and Ukraine while the middle east continues to be at precipice on account of the skirmish between Israel and Hamas. This has further led to interruptions in Red Sea which has brought immense uncertainty and rising costs to sea borne trade. The world is still not close to being normalised with fear still occupying minds of decision makers. Prices of major commodities including metals showed erratic movement though the year and reached to high prices seen Post-Covid.

For Cement, India looks to be bright spot with major thrust on investment shown by the Government to build highways and other base infrastructure across the country. This has been further aided by private investment in building new capacities in industry and real estate. This should translate into higher Cement sales and in turn demand for our products. Other than India, Cement industry continues to grow at a marginal pace. Overall we continue to expect this segment to be flat to low growth.

We remain optimistic about our prospects for Mining segment with a large conventional grinding media market in forged media that we continue to target to convert to High Chrome Grinding Media. We believe that Copper will remain a commodity of interest as world consumes more electronics and EVs and other renewable power generation infrastructure become a larger part of the energy grid. At the same time, it takes longer than a decade to set up new greenfield mine site while ore quality from existing mine continues to deteriorate. This creates a significant fit for our solutions for Copper mines where we can help mines make good some of their lost output. Likewise, for Gold mines, our solutions helps increase recovery while reducing operating costs. We continue to invest significant resources in both these minerals and sharpening our offering. In addition we continue to work with iron ore mines to help them with their cost optimisation projects.

B. SEGMENTWISE PERFORMANCE:

The Company primarily operates in only one Segment i.e. Manufacturing of High Chrome Mill Internals. In Fiscal Year 2023-24, 71.20 % of its Total Sales came from outside India while balance 28.80 % came from within India.

C. OUTLOOK AND PROSPECTS:

Company's future growth of business is always linked to growth of the industries like Mining, Cement and Thermal Power generation.

Company's focus is to provide comprehensive solutions which are aimed at not only reducing the cost of consumable wear parts which are used in the process of Grinding and Crushing in the above industries through reduced wear rates but also to focus on reducing the overall cost of ownership in the hands of the customer by increasing the grinding efficiency, increasing the throughputs and reducing other operating expenses by customising tailor made solutions to suit the requirement of a given customer.

Cement Industry is largely converted into High Chrome Mill Internals use, Company's growth is linked mainly to the overall growth of the Industry. Cement industry growth remains low on account of heavy infrastructure already built in the western world and China, which drove global growth in Cement consumption in last two decades, also tapering down its consumption. We continue remain closely involved with all key Cement manufacturers and invest resources to be able to help them optimise their grinding operations and remain a valued partner.

Major growth driver for Company continues to be the huge conversion opportunity available in the Mining Industry space. The addressable market opportunity is around 2 to 2.5 million tonnes (of annual consumption) for the three ores on which the Company is focusfsed upon viz. Gold, Copper and Iron Ore. The level of penetration of High Chrome Grinding Media is less than 15%, which offers a significant opportunity for growth through conversion from Forged Grinding Media to High Chrome Grinding Media.

Further, in addition to Grinding Media as the main product supplied to the Mining Industry, Company is also very excited about prospects for growth in the Mill Liner Segment where the Company is manufacturing and supplying Metal Liners based on unique patented Mill Liner design licensed by the Company as well its own proprietary designs, which helps the Company in offering multiple advantages including improved throughputs and reduced power costs.

Company is addressing the mining opportunity of conversion through a combination of solutions based on the requirement of a mining customer. This includes cost savings through lower wear rates and lower consumptions owing to the High Chrome advantage; Down process related benefits in the form of reduction in the cost of other expensive reagents/improvement of recoveries by use of High Chrome Grinding Media; and lastly unique Mill Lining solutions having the effect of increasing the throughput and reduction in the power cost. Company is also offering unique Mill Liners to the mining market and widening its wallet share and value addition with customers. Company's dedicated greenfield Mining Liner plant has been commissioned in Quarter 2 of Financial Year 2022-23 is helping the Company in taking incremental market share in this segment, as well as offer higher cross selling opportunities for Grinding Media. Commissioning of said Mining Liner plant resulted in increase in capacity by 20,000 MT.

Going forward, Company continues to build on its competencies to offer material value addition to its customers in form of increase in throughput, increase in yield of gold and copper ores and reduction in operating costs in terms of wear costs, power costs and reagent consumption. This value addition is offered by continuous and direct engagement with operations personnel at plants in different countries and ensuring that a custom designed solution is offered to meet their specific objectives and engage with them on a continuous improvement journey to measure and ensure the benefits accrue over the lifetime of our solution. A Continued volatility in the prices of major raw materials viz. Scrap and Ferro Chromium is now becoming a rule rather than exception. Thus, in Financial Year 2023-24 at least for first Quarter the Ferro Chromium prices continued to rise whereas in the second and third quarter there was a small dip while again in the fourth quarter the prices started rising. However, the Company has demonstrated its ability of passing over this increase cost of raw materials consistently year over year over a lag of anywhere between 3 and 6 months. This also demonstrates the resilience of our business model.

The Company is extremely confident of the long term prospects of sustained growth through new customer acquisitions in the Mining Segment. Company believes that it has certain distinct competitive advantages given its unique product offerings coupled with highly efficient plants in India, duly supported by a strong global sales force and support infrastructure in the form of Company's global offices and warehouse infrastructure and continued developmental efforts aimed at making its solutions very potent – all these factors are giving the Company the confidence that it should emerge as a dominant supplier of Mill Internals in the Mining space as well.

Company continues to maintain its significant market share as a supplier of large castings to the Thermal Power Plant Industry in India. Although this is relatively a smaller business, it is still an important business for it and the Company.

D. CAPEX PLAN:

Over the past five years, we have witnessed a positive trend in net cash generated from operating activities despite having challenges related to the metal prices, freight costs and global economic growth. This demonstrates our strong capital efficiency, i.e. effective conversion of operational performance into cash flows, which is vital for funding our growth initiatives and meeting our financial obligations. With a commitment to long-term growth, we have consistently prioritised allocating substantial financial resources towards capital expenditure. These strategic investments are designed to enhance operational capabilities, support expansion plans and ensure a robust and sustainable future for our Company. Accordingly, our capex proposals are from internal cash accruals.

The Company's current capacity stands at 4,60,000 MT Per Annum.

The Company is well progressing on implementing the second phase of Grinding Media Greenfield expansion project with a capacity of 36,000 MT at Kerala GIDC near Ahmedabad and expected to come in production by December 2024.

The Company has a plant cluster in Odhav in Ahmedabad primarily for production of parts other than Grinding Media. For this cluster, Company is progressing on a one-time upgradation project which includes capacity de-bottlenecking and restructuring, creation of warehouse space, pattern storage facilities and related infrastructure. While the project will continue in phases over next year the capacity optimisation of 20,000 MT of castings is now completed.

Being a responsible corporate citizen, we are dedicated to the conservation of environment. The Company recognise the significance of renewable energy in combating climate change. Keeping this as our primary objective for Financial Year 2024-25, The Company further plans to invest in Renewable Energy Projects (including Solar and Wind) by investing ₹ 30 to ₹ 40 Crores. In fiscal year 2025-26, it is estimated that 60% to 70% of total power consumed will come from renewable sources.

E. RISKS AND CONCERNS:

Risk Management Framework provides consistent, clear and robust framework for managing risks across the group and thus is fundamental to our performance and progress as a company. WE CARE is the one common, unifying thread that runs through everything we do at Company. We are continuously working to deliver a sustainable future along with stakeholders. Our integrated risk management helps the group in management of risks at both strategic and operational levels and enables achievement of short and long term business outcomes. It ensures a safe and compliant operating environment, aligned to our values and behaviours.

The Company is a Manufacturing Concern with facilities in 4 Cities in India and with sales and distribution spread across the world. The Company is exposed to certain operating business risks, similar to most manufacturing companies, which is mitigated by regular monitoring and corrective actions.

Key risks that the Company faces are around stability in the mining market, foreign exchange rate fluctuation, fluctuation in raw material prices, debtor defaults, disruption in supply chain and disruption and uncertainty in business due to Ukraine - Gaza Crisis.

Treasury Risks: Company faces following key financial risks, which is actively managed by Treasury Team.

Foreign Exchange (FX) Risk: Presence in different geographies exposes the Company to high volatility in currencies of different countries due to higher export in turnover and import of raw material. Given the prediction of reduction in US interest rates, the Dollar remained strong against most currencies through the year.

Proactive and Adoptive Hedging Policy which is aligned with market best practices and Dynamic Pricing Mechanism are in place to limit impact of exchange volatility on receivables, payables and forecasted revenue.

Credit Risk on Investment Portfolio: Company deploys its investible surplus in Government securities, State Government securities, AAA Corporate bonds, Commercial Papers, Fixed Deposits and Debt mutual funds. Corporate bonds and Debt Mutual Fund investments bear credit risk.

Direct investments are restricted to Board approved select AAA rated corporates. Debt Mutual Fund investments are managed and monitored based on a Internal Risk Management Framework.

Raw Material Fluctuation: The Company, always focuses on providing world class quality product to its customers and to do so, we engage in sourcing raw material from reliable sources. Limited Sources for procurement of Raw Material, Lack of substitution of in respect of Raw Material and high volatility in prices of MS Scrap, SS Scrap, CS Scrap and Ferro Chrome in Global Market puts pressure on cost of the production.

To mitigate this risk, the Company has actively engaged in developing a network of local and global vendors and dual sourcing of raw material. The Company engages with the customers and is able to pass through most of the raw material changes – either through price pass clauses if there are longer tenure contracts or by repricing new offers. The Company is closely monitoring raw material price movements and is regularly buying the raw materials during low price cycles so as to average out the impact of price fluctuations.

Debtor Defaults: Risk of Customer Receipt default due to increasing global footprint. The Company periodically assesses financial reliability of customers, taking into account the financial condition, current economic trends and analysis of historical bad debts and ageing of accounts receivable. Customer wise limits are set accordingly. Company has taken up comprehensive credit insurance policy to mitigate risks around financial conditions of export customers.

Disruption in Supply Chain: Due to Red Sea, Israel – GAZA and Russia-Ukraine Crisis, there are chances of disruption in overall exports and imports. There are possibility of jump in overall outward and inward freight expenses. Working capital may increase because transit time may increase. Increase in inventory at Customer place to meet timely delivery. It may also put pressure on margin because of volatile freight cost.

To mitigate disruption in supply chain, Company is planning production well in advance to compensate delay in logistic, maintaining higher inventory at warehouse of country having disrupted supply chain. Logistic team is putting efforts on midterm contract with shipping line to keep cost under cap. Sales team is also working with Customers to fix contract on FOB Plus Actual Freight.

Compliance Risks: The Company operates in different geographies, each having its own regulatory landscape, which continuously evolves, changes, and undergoes increased scrutiny from the regulators. Any non-compliance with regulations or scrutiny process can result in dilution of financial position or jeopardise Company's reputation.

Regulatory risks are managed through a strong governance mechanism based on the philosophy of 'zero tolerance to non-compliance'. This is implemented through:

- Assessment of regulatory and compliance requirements on regular basis.
- Robust internal controls.

Environmental, Social and Governance Risks: Organisation must sustain growth in a continuously evolving global eco-system with unpredicted externalities. They can be challenged, if they do not aim for holistically enhancing stakeholders' value, including striving to mitigate risks associated with environmental and climate change. Sustainable value creation can no longer be ESG-risk agnostic, which has now evolved as new yardstick in addition to profitability and capital efficiency returns.

Company has embarked on a structured process to better understand and manage evolving ESG risks. This includes adopting a structured ESG framework and strategy, based on international standards and structures.

Information Technology Risks: Risk of loss or disclosure of trade secrets, confidential or proprietary information to competitors or to unauthorised sources including external attacks on the Company's IT network.

- The data in the network/on the servers are guarded by access control at domain level. Any unauthorised access is restricted. The administrator privileges are restricted and are not provided to end users. Systems are adequately secured to constrain the access and use of data.
- Vulnerability assessment and penetration testing performed yearly.
- E-mails are decently protected. Gmail filters also exists.
- Laptop Hard drives are encrypted.
- Regular training conducted for all users to ensure effectiveness of IT awareness.
- Critical servers related to SAP are not publicly exposed and accessible only through VPN.
- DR is considered for SAP and DR drills going on as per plan.

F. INTERNAL CONTROL SYSTEM AND THE ADEQUACY:

The Company's Internal Control Systems are commensurate with the size and nature of its operations, aimed at achieving efficiency in operations, optimum utilisation of resources, reliable financial reporting and compliances with all applicable laws and regulations. Talati and Talati LLP, Chartered Accountants are the Internal Auditors of the Company except for Procurement & Stores functions, while Deloitte Touche Tohmatsu India LLP. Chartered Accountants are the Internal Auditors of the Company for Procurement & Stores functions. The Company also have in house internal control department who design and operating effectiveness of internal controls system. It carries out extensive internal audit throughout the year across all functional areas and submits Quarterly Reports to the Management and Audit Committee. The recommendations from Internal Auditors and follow up actions for improvements of the business processes and controls are also periodically reviewed and monitored by the Audit Committee.

G. ORGANISATION TRANSFORMATION:

To enhance plant efficiency and equipment utilisation we have implemented autonomous maintenance at our Kerala GIDC GM plant. This has enhanced the skills of all our operations and maintenance personnel as they function as one team with a common goal / objective. It has resulted in an increased uptime. We have introduced online digital vibration, temperature and oil contamination measurement sensors on critical equipment. Data from these sensors is analysed to predict potential problems or failures so as to prevent them. This is a key component of our journey of moving from preventive maintenance to predictive maintenance.

H. FINANCIAL PERFORMANCE REVIEW:

The financial performance of the Company as a whole (on Consolidated basis) is as under:-

I. Consolidated Performance:

An analysis of the Consolidated performance of the Company is given below:

- **Physical Production:**

The production achieved is as under:

(Qty in M.T.)

Product	2023-24	2022-23
High Chrome Mill Internals	2,95,509	2,88,088

- **Sales Turnover:**

The Comparative position of Sales Turnover achieved by the Company is as under:

(₹ in Lakhs)

Particulars	2023-24	2022-23
Sales in India (28.80%) (P.Y. 27.07%)	1,37,428.33	1,30,943.36
Sales Outside India (71.20%) (P.Y. 72.93%)	3,39,753.93	3,52,859.12
Total	**4,77,182.26**	**4,83,802.48**

- **Key Performance Indicators :**

An analysis of the key indicators as percentage to Revenue is given below:

(₹ in Lakhs)

Particulars		2023-24	2022-23
1	Revenue from Operations	4,85,376.13	4,90,876.87
2	Cost of Materials Consumed (Including change in Inventories)	2,07,265.15	2,06,582.02
	- % of revenue from operations	42.70%	42.08%
3	Employee Benefit Expense	17,140.29	15,190.16
	- % of revenue from operations	3.53%	3.09%
4	Other Expenses	1,27,595.10	1,45,040.61
	- % of revenue from operations	26.29%	29.55%
5	EBIDTA	1,61,666.94	1,47,518.02
	- % of revenue from operations	33.31%	30.05%
6	Finance Costs	2,837.87	2,010.39
	- % of revenue from operations	0.58%	0.41%
7	Depreciation and Amortisation Expense	10,027.15	9,304.01
	- % of revenue from operations	2.07%	1.90%
8	Profit Before Tax	1,48,801.92	1,36,203.62
	- % of revenue from operations	30.66%	27.75%
9	Profit After Tax (Including Other Comprehensive Income and Minority Interest)	1,11,868.53	1,02,165.98
	- % of revenue from operations	23.05%	20.81%

II Standalone Performance

The analysis of Standalone performance of the Company is given below:

- **Sales Turnover :**

  The Comparative position of Sales Turnover achieved by the Company is as under:

(₹ in Lakhs)

Particulars	2023-24	2022-23
Sales in India (31.82%) (P.Y. 30.71%)	1,29,262.39	1,22,046.82
Sales Outside India (68.18%) (P.Y. 69.29%)	2,76,941.76	2,75,384.06
Total	**4,06,204.15**	**3,97,430.88**

- **Key performance indicators:**

  An analysis of the key indicators as percentage to Revenue is given below:

(₹ in Lakhs)

	Particulars	2023-24	2022-23
1	Revenue from Operations	4,14,394.99	4,04,476.35
2	Cost of Materials Consumed (including change in inventories and purchase of stock in trade)	1,96,378.89	2,01,130.16
	- % of revenue from operations	47.39%	49.73%
3	Employee Benefit Expense	12,276.83	11,040.39
	- % of revenue from operations	2.96%	2.73%
4	Other Expenses	89,475.14	86,910.71
	- % of revenue from operations	21.59%	21.49%
5	EBIDTA	1,59,108.40	1,37,669.05
	- % of revenue from operations	38.40%	34.04%
6	Finance Costs	2,826.07	1,845.36
	- % of revenue from operations	0.68%	0.46%
7	Depreciation and Amortisation Expense	9,821.51	9,115.33
	- % of revenue from operations	2.37%	2.25%
8	Profit Before Tax	1,46,460.82	1,26,708.36
	- % of revenue from operations	35.34%	31.33%
9	Profit After Tax (Including Other Comprehensive Income)	1,13,373.91	96,301.22
	- % of revenue from operations	27.36%	23.81%

H. DETAILS OF SIGNIFICANT CHANGES IN THE KEY FINANCIAL RATIOS & RETURN ON NET WORTH

Pursuant to amendment made in Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 details of significant changes (i.e. change of 25% or more as compared to the immediately previous Financial Year) in Key Financial Ratios and any changes in Return on Net Worth of the Company including explanations therefor are given below:

Standalone

Sr. No.	Particulars	2023-24	2022-23	Change	Change in %	Explanations
1	Debtors Turnover (Days)	125.03	132.59	(7.56)	(5.7%)	--
2	Inventory Turnover (Days)	59.42	57.67	1.75	3%	--
3	Interest Coverage Ratio	52.82	69.66	(16.84)	(24.20%)	--
4	Current Ratio	9.08	6.51	2.58	39.60%	Due to Increase in Treasury balances and decline in Trade Payable
5	Debt Equity Ratio	0.07	0.09	(0.02)	(22.30%)	--
6	Operating Profit Margin (%)	26.20%	24.23%	1.98	8.20%	--
7	Net Profit Margin (%)	27.80%	24.38%	3.43	14.10%	--
8	Return on Networth (%)	18.94%	19.25%	(0.31)	(1.60%)	--

Consolidated

Sr. No.	Particulars	2023-24	2022-23	Change	Change in %	Explanations
1	Debtors Turnover (Days)	67.39	64.95	2.43	3.70%	--
2	Inventory Turnover (Days)	92.66	92.19	0.46	0.50%	--
3	Interest Coverage Ratio	53.43	68.75	(15.32)	(22.3%)	--
4	Current Ratio	8.01	6.07	1.94	32%	Due to Increase in Treasury balances and decline in Trade Payable.
5	Debt Equity Ratio	0.07	0.09	(0.02)	(21.70%)	--
6	Operating Profit Margin (%)	26.38%	25.78 %	2.16	9.10%	--
7	Net Profit Margin (%)	23.80%	21.83 %	1.97	9%	--
8	Return on Networth (%)	18.39%	20.22 %	(1.83)	(9%)	--

I. INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT:

The Company believes that human resource is the most important asset of the organisation. During the year under review, your Company continued its efforts to improve HR related processes, practices and systems to align these to the organisational objectives. Training and development of its employees is ensured through on the job and outside training programmes and workshop. The Company continues to attract excellent talent to further its business interests. Industrial Relations continue to be cordial.

CAUTIONARY STATEMENT:

Statements made in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations may be "Forward-looking statements" within the meaning of applicable Securities, Laws & Regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic & overseas markets in which the Company operates, changes in the Government Regulations, Tax Laws & other Statutes & other incidental factors.