Management Discussion and Analysis

Economic Review

Global Economic Review

The year gone by was marked by significant challenges faced by the nascent global economic recovery in the aftermath of the COVID-19 pandemic. Escalation of the geopolitical conflict and the ensuing sanctions led to the worsening of supply chain pressures, which were expected to ease post the pandemic. Commodity, energy, and food prices shot up substantially amidst heightened volatility, exacerbating inflationary pressures across advanced economies (AEs) and emerging market economies (EMEs) alike.

For most of the year, the global economy continued to grapple with multi-decadal high inflation and slowdown of growth, leading to aggressive monetary policy tightening on a global level, and a heightened risk of recession. Governments and central banks across economies had to strike a balance between fiscal policy and monetary policy to stoke growth, while restoring price stability and alleviating the cost-of-living pressures.

Towards the latter part of the year, as heightened interest rates started to affect consumption, the pricing pressure started exhibiting softness, prompting central banks to moderate the size and rate of pricing actions. Nonetheless, global growth is expected to decelerate during 2023. The International Monetary Fund (IMF) forecasts global growth to decline to 2.8% in 2023, from 3.4% growth in 2022, before rising to 3.0% in 2024 . Global inflation is expected to fall from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024, but will still be above the pre-pandemic (2017-19) levels of about 3.5%.

"There have been significant improvements in raw material procurement efficiency, with reduced backlogs, delays and shortages. Our integrated network is nearing pre-pandemic levels, ensuring smoother operations and better service for our customers. Additionally, we are focussed on sustainable sourcing in our effort to create shared value

Mr. Sandeep Bhargava

Executive President and Chief Procurement Officer

In March 2023, the world economy had a bad scare when the aggressive interest rate tightening manifested itself in the form of turmoil in the banking system in some AEs. However, the risk from the events was successfully staved off through quick responses by the respective governments. Continued rate hikes following the event showcases the confidence of the central banks in their economies and their ability to adapt to changing circumstances. Overall, global economic activity remains resilient amidst the persistence of inflation at elevated levels, turmoil in the banking system, tight financial conditions, and lingering geopolitical hostilities.

Global growth forecast

(%)

Particulars	Estimate 2022	Projections 2023	Projections 2024
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Japan	1.1	1.3	1.0
United Kingdom	4.1	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
China	3.0	5.2	4.5
India	6.8	5.9	6.3

Source: IMF, World Economic Outlook Update, April 2023

Management Discussion and Analysis

Commodities

In FY23, most commodity prices retreated from their peak as the post-pandemic led demand surge cooled down due to the monetary-tightening measures caused by high inflation, leading to a slowdown in global growth and rising concerns regarding a global recession. However, individual commodities have seen divergent trends amid differences in supply conditions and their response to softening demand.

Copper prices on London Metal Exchange (LME) remained highly volatile during the year, tracking global sentiments around expected interest rate movement and its effect on demand, supply disruption from a couple of key copper-producing South American countries, and commentary around the relaxation in China's zero-COVID policy. Copper prices witnessed a downfall from about $10,250/MT in April 2022 to $7,000/MT in July 2022, rising again to close the year at about $9,000/MT in March 2023.

A similar trend was witnessed in aluminium prices, which declined from about $3,500/MT in April 2022 to about $2,100/MT in September 2022, rising back again to close the year at about $2,350/MT in March 2023. The price for PVC compounds, used as an insulating material for wires and cables, was also volatile tracking crude oil prices, correcting 41% by mid-year from the peak witnessed in April 2022, and regaining 11% since then by March 2023. Steel prices were range-bound but volatile during the year. The Indian rupee continued to depreciate during the year, balancing the negative impact of the declining commodity prices.

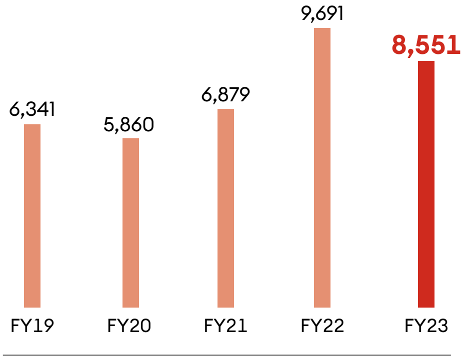
"Adverse global macroeconomic events led to high commodity price volatility during the past year. Through pricing options available to us, we were able to negate the effects of volatility and maintain margins within our guided range

Mr. Anil Hariani

Director - Commodities (Non-board member)

Average LME Copper

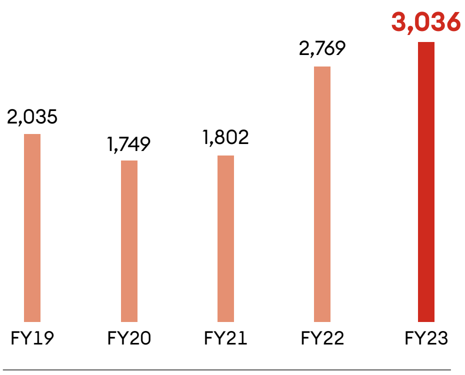
($/mt)



Source: https://www.westmetall.com/
(simple average of monthly prices)

Average LME Aluminium

($/mt)



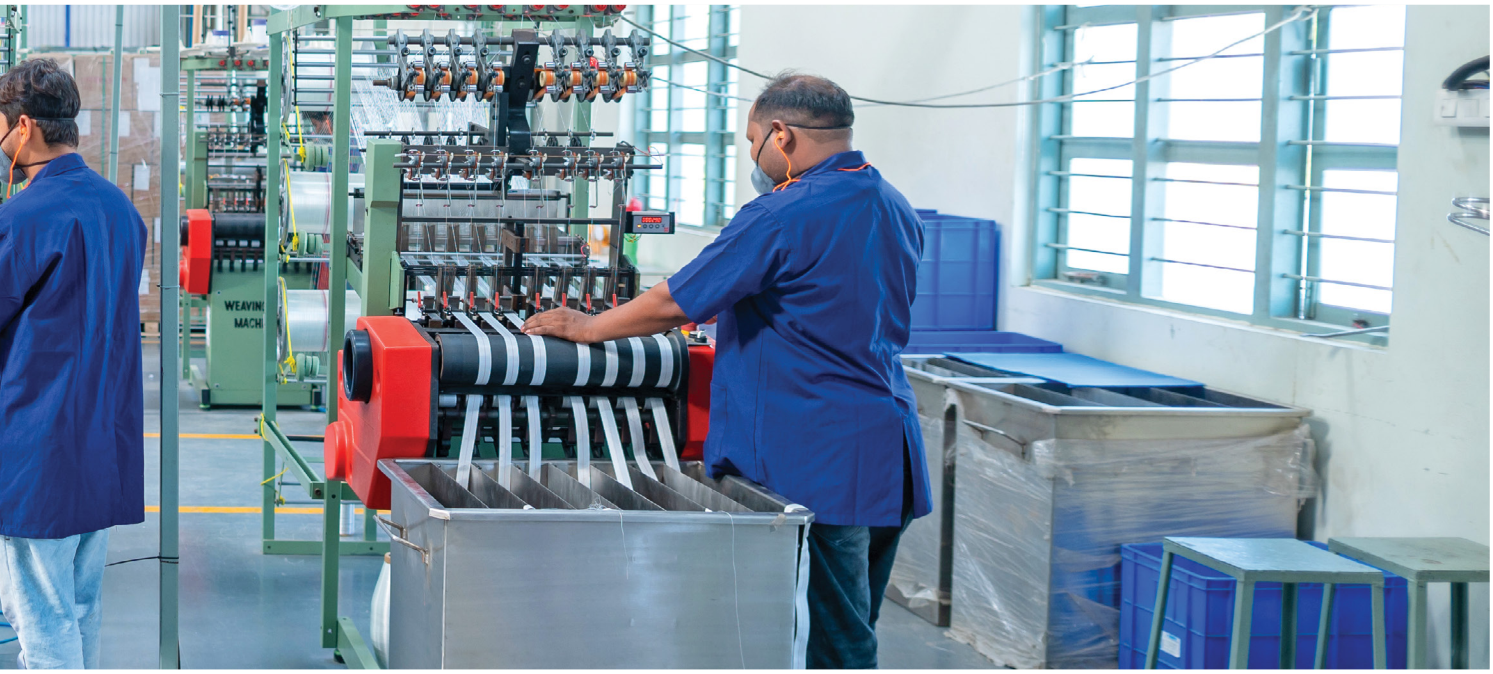
Source: https://www.westmetall.com/
(simple average of monthly prices)

Indian Economic Review

Amidst the global economic turmoil of FY23, the Indian economy stood out for its resilient performance, largely driven by domestic consumption. With the ebbing of the third wave of COVID-19 and the lifting up of restrictions, domestic economic activity stabilised in April-May 2022. Urban demand recovered quickly and remained buoyant throughout the year, supported by pent-up spending and discretionary expenditures during the festival season, while above-normal monsoons helped revive rural demand.

Monthly GST collections achieved a unique feat of remaining above ₹1.4 lakh crore for all 12 months of FY23. Index for Industrial Production (IIP), which indicates India's industrial output, registered a growth of 5.5% for the first 11 months of the financial year. Other macro indicators such as e-way bills, railway and air freight, energy consumption, and vehicle sales, too were buoyant. The export of goods and services increased by 14% in FY23 to stand at a record $770 billion for the year, highlighting the growing strength of the Indian economy on the global stage. Furthermore, foreign exchange reserves were at comfortable levels, and external debt was low, indicating the soundness of the economic policies and management.

Global pricing pressures due to continuing geopolitical uncertainties and tightening of financial conditions percolated into the Indian economy in the form of elevated inflation, which stayed above the Reserve Bank of India's (RBI) upper tolerance band of 6% for nine months of the financial year. To regulate inflation, similar to global central banks, RBI employed monetary tightening, raising the repo rate by 250 basis points during the year.



Management Discussion and Analysis

The government adopted a multi-pronged approach to control the increase in prices, and this included bringing the import duty on major inputs to zero, imposing an export ban on wheat products and export duty on rice, and reducing the basic duty on crude and refined palm oil. On the back of these efforts, the Monetary Policy Committee (MPC) projects CPI inflation to reduce to 5.2% for FY24, within its tolerance band of 4% +/- 2%, indicating stable economic conditions.

FY23 was significant for the Indian economy as it achieved the impressive feat of becoming the world's fifth-largest economy. The Country has set a target of becoming an advanced nation by 2047 – its first centenary as an independent nation – on the back of accelerated development in infrastructure.

$770 Bn

India's exports in FY23

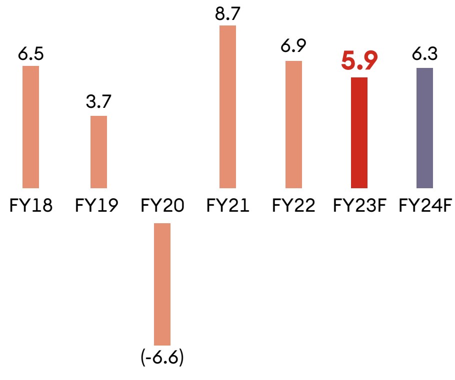
3.3%

Budgeted infrastructure capex for FY24 as % of Indian GDP

The Centre has budgeted a capital investment outlay of ₹10 lakh crore in Budget 2023-34 towards infrastructure development, which is about 3.3% of the GDP – almost three times the outlay in 2019-20 and five times compared to 2013-14. Including grants to states, the effective capital expenditure of the Centre is budgeted at about 4.5% of the GDP. The substantial increase of capital allocation towards infrastructure development in recent years is aimed to help enhance the Country's growth potential, aid job creation, crowd-in private investments, and provide a cushion against global headwinds. For FY24, the RBI predicts the Indian economy to grow by 6.5%.

India GDP trend

(% change of Indian GDP over fiscal years)



Source: World Economic Outlook, Apr 2023

Industry Review

Wires & Cables (W&C) industry

The Indian W&C industry is estimated to have grown in low teens in FY23 to ₹680-730 billion in size, contributing to 40-45% of the Indian electrical industry. Sectors like Power, Railways, Infrastructure, Oil & Gas, Telecom, Real Estate, Renewables, Defence, Automobiles, etc. are the largest demand drivers for the industry. Organised players command a lion's share of the market, at roughly 70%, while unorganised players largely dominate the rural geographies. Polycab continues to be the market leader in the segment, with a market share of 22% - 24% of the organised market.

Catering to diverse industries

Wires consist of a single conductor, while cables comprise one or more conductors employed for transmitting electricity, data, or signals. Control and instrumentation cables find use in electrical power systems or any related process control systems; telecom cables are used for voice and data transmission; and optical fibre cables provide high-speed data connection. Additionally, various other cable types are employed in consumer appliances, automotive, railways and mining.

Power cables are employed for transmitting and distributing electricity from power-generating plants to sub-stations and ultimately to end-user segments, including residential, commercial, and industrial units. Noteworthy users of power cables include the power sector (central, state, and private electricity utilities) and sectors like petrochemicals, mining, steel, non-ferrous, shipbuilding, cement, railway, and defence.

Building wires, on the other hand, are used for electrical wiring in residential and commercial properties, and are typically classified into Flame Retardant, Fire Retardant (FR), Flame Retardant Low Smoke (FRLS), and Halogen Free Flame Retardant (HFFR) categories.

Megatrends driving growth in the W&C industry

The Indian W&C market is projected to grow to ₹900-950 billion by FY26, on the back of several megatrends, including:

Government focus on infrastructure

Infrastructure development has been the central agenda of the government to drive the long-term economic growth of the Country. Over the past 5 years, the government has more than doubled its capex support in Central Budgets, increasing infrastructure capex as a percentage of GDP, from ~1.4% in FY18 to ~3.3% in FY23. Railways, Roadways, Highways, Defence, and Housing sectors have been the largest beneficiaries of the higher budgetary allocations, and being the core demand drivers for the W&C industry, are expected to accelerate industry growth. Government initiatives like National Infrastructure Pipeline (NIP), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Pradhan Mantri Awas Yojana (PMAY) will further drive demand for the W&C industry.

The manufacturing industry too is experiencing robust growth due to growing capacity utilisation, the PLI scheme, and the 'Make in India' initiative, generating more business opportunities for W&C players.

Residential real estate

Indian residential real estate market has been in an upcycle since the end of the first wave of COVID-19, with the then-existing all-time low-interest rates, central and state government introduced supportive policies, the need for purchasing a larger home realised during the Work-From-Home culture, etc. fuelling pent-up demand, which has carried on through the past 2 years, supported by long-term demand drivers such as urbanisation, government initiatives such as 'Housing for All', 'Smart Cities', etc., higher affordability through robust wage growth and largely stagnant property prices and many more. Housing sales in the top 8 Indian cities in CY 2023 registered a 9-year high, with launches exceeding sales for the first time since 2013, demonstrating the confidence of real estate developers. With a real-estate cycle generally being 6-8 years long, and a newly built residential unit implying not only increased demand for W&C but an installed base for replacement demand, the uptick in the residential real estate sector is set to be a long-term consistent growth driver for the W&C industry.

Indian railways

The railways market is dynamic and evolving. It is a massive consumer of W&C. Cables are used in signalling and control systems, power supply, and communication systems as well. The sector has been the recipient of the highest investment allocation in the last two budgets, with the government focused on transforming the Indian Railways to improve connectivity across the Country. The government is focusing on operating more semi-high-speed trains, with production plans of trains like Vande Bharat already on the rise. In addition to this, there is the aim to rollout high-speed bullet trains between Mumbai and Ahmedabad by 2026, and operate about 150 private trains by 2027. Indian Railways has been intensifying its efforts to reduce emissions by 33% by 2030 by implementing long-term energy-saving measures and relying more on clean fuel. On the same lines, the GoI is targeting 100% electrification of all broad-gauge lines by December 2023. A dedicated Freight Corridor will boost freight activity, and will require more electric locomotives.

Increasing demand for renewable power generation

Rising GDP and economic growth will lead to growth in the power industry. To start a green revolution in the country, the government has set an ambitious target of having 500 GW of installed renewable energy by 2030, which includes 280 GW of solar power and 140 GW of wind power. Government initiatives like 'Power for All', Integrated Power Development Scheme (IPDS), Restructured Accelerated Power Development and Reforms Programme (RAPDRP), etc. indicate a promising market potential for the wire and cable industry.

Telecom upgradation and demand for data centres due to IT boom

The global fibre optics market is projected to grow from $4.9 billion in 2022 to $8.2 billion in 2027 at a CAGR of 10.9%. The Indian market is projected to reach $1.66 billion by 2026. Optical fibre cables are required by the telecom sector for their high-speed broadband applications. The growing number of mobile devices, increased adoption of Fibre-to-the-Home (FTTH) connectivity, and surge in data centres, along with the impending 5G transition, are poised to propel the demand for optical fibre cables and other equipment in India.

Other factors such as the expansion of power transmission, resilient commercial real estate sector, and good demand visibility across various end-user industries have contributed to an improved demand environment. This is expected to lead to industry expansion and strengthen the supply chain. Companies are investing in research and development to stay at the forefront of innovation, and accelerate new product development.

Organised players in the W&C industry have continued to gain disproportionately, largely due to increased consumer awareness and pandemic-led disruptions that had a significant impact on smaller players. Organised players, with their larger scale and resources, are better equipped to adapt to changing market conditions and invest in new technology and capabilities. As a result, they have succeeded in capturing a larger share of the market and strengthening their market position.

Globally, with the increasing emphasis on supply chain diversification and evolving dynamics in the global economic environment, India has emerged as an attractive destination for companies seeking to mitigate risks associated with over-reliance on limited sources. India's improving infrastructure, skilled labour force, and supportive government policies further enhance its appeal as a preferred investment destination. Exports of W&C are expected to be a huge opportunity for the growth of Indian W&C companies.

FMEG industry

Fast-Moving Electrical Goods (FMEG) are consumer electrical goods sold through various retail trade outlets and e-commerce platforms. These include fans, lights, luminaires, switches, switchgear, conduits and fittings, and so on. Over the years, the industry has evolved rapidly with the increasing participation of organised players and the emphasis on branding. Structural drivers like changes in demography, consumer behaviour, technology, and rising disposable incomes have catapulted the growth of the organised FMEG sector in India.

Megatrends driving growth

The FMEG segment for Polycab has grown at a staggering 30% CAGR during 2015-16 to 2022-23. Several megatrends are driving growth in this sector, including:

Premiumisation

Rising urbanisation continues to drive demand for residential real estate in urban areas, leading to continued demand for household electrical appliances. The wage growth in India has been ~10% over the past decade, which has led to rising disposable income and hence increased purchasing power of the earning population. The growing Indian middle class with improved standard of living, and preference for safe, quality as well as better designed and aesthetic products is manifesting itself in the form of increased demand for premium products across FMEG product categories.

Demographic dividend

India entered a demographic dividend opportunity window in 2005-06 and is expected to remain there till 2055-56. The median age of India's population is ~28.4 years with ~67% population in the 15 to 64 years bracket range. By the year 2030, the share of India's working-age population to the total population is expected to reach its highest level at 68.9%. This young population not only reinforces India's competitive advantage in the services and manufacturing sectors but also unleashes the consumption power of a young population towards discretionary spending.

Energy efficiency

In order to promote the use of energy-efficient products, the Bureau of Energy Efficiency (BEE) has, over the years, introduced voluntary and mandatory star labelling norms for certain electrical product categories. The requirement has led to an acceleration in customer education regarding the long-term advantages of using energy-efficient electrical products. Moreover, today's customer is more aware of issues such as global warming, depletion of non-renewable energy sources, rising pollution, etc., and hence is inclined towards opting for more environment-friendly, energy-efficient products. This has led to improvement in technology and innovation within the industry for developing products as per the customers evolving needs.

Rise of smart homes

With the boom of IoT and connected devices, the concept of smart homes has gained traction in India. FMEG companies are developing devices such as connected home appliances, lighting systems, and security systems that can be controlled through a smartphone app or voice assistants. This trend is expected to grow, as more consumers seek the convenience of connected homes.

Domestic industries in the FMEG sector identify innovative ways to achieve greater market share through efficient distribution channels as well as usage of alternate mode of sales such as e-commerce and modern trade stores. The sector deals with products having short product life cycles and is prone to stiff competition. To maintain their market share and sustain product lines, organisations need to innovate continuously. This involves investing in research and development to develop new products and technologies, improving manufacturing processes, and adapting to changing market trends and consumer preferences. Companies must also focus on effective marketing and distribution strategies to maximise sales and profitability.

Government Initiatives for Growth

Housing for All: The Pradhan Mantri Awas Yojana (PMAY) aims to provide affordable housing to all eligible beneficiaries. This has led to an increased demand for household electrical appliances like fans, lights, switches, and others. Moreover, the scheme encourages the use of eco-friendly and sustainable technologies for the construction of houses, including the use of energy-efficient lighting, solar water heaters, and other appliances.

Smart Cities: The government has undertaken the massive task of developing and transforming 100 cities across the country into 'Smart Cities' by incorporating technology and innovation into various aspects of urban development. This will generate demand for smart lighting, meters, and energy-efficient appliances.

Union Budget 2023: Key highlights benefitting the FMEG industry

The government has proposed to enhance the PMAY Fund by 66% to ₹790,000 million, thereby providing a boost to the housing sector which in turn generates demand for the FMEG industry.

The government also plans to spend ₹100,000 million per year for urban infra-development funds thereby boosting demand for electrical goods.

An increase in capital expenditure on infrastructure to the tune of ₹10 trillion, up 33%, will boost the Indian economy and create new job opportunities. Encouraging a new tax regime will leave more income at the disposal of consumers. Improved standard of living and disposable income will in turn increase the demand for better electrical appliances.

Smart Cities: The allocation of ₹160,000 million will transform multiple cities and deliver an improved quality of life.

Management Discussion and Analysis

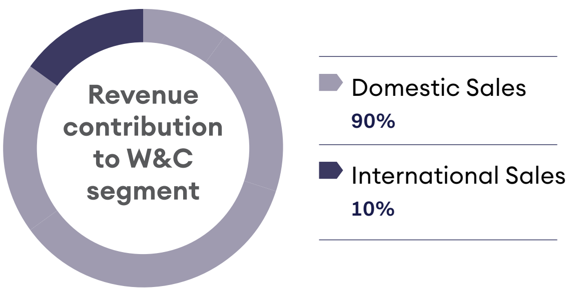
Performance Review

W&C Segment

Wires and Cables revenue witnessed a strong growth at 17% YoY to ₹125 billion, accounting for 89% of the total sales in FY23. With commodity prices on a downward trajectory from the decadal high levels at the start of the year, the increase in revenue was largely driven by volume growth, supported by the depreciation of the Indian rupee against the US dollar. Robust demand from various end-user sectors such as infrastructure, power distribution, railways, real estate, and renewable energy, coupled with government stimulus packages and structural reforms led to the outperformance in volume growth. Domestic distribution-driven business exhibited healthy double-digit volume growth primarily due to the benefits from the Heavy Duty Cables and Light Duty Cables verticals merger last year. Demand generation initiatives such as Key Account Management (KAM), capturing unorganised markets through the Emerging India vertical, distribution expansion to cities with minimal or no presence, re-activating distributors with nil or declining sales, contributed immensely to the segmental growth. Geographically, the sales were broad-based, with the highest sales in the western region, followed by south, north, and east, respectively. Demand from sectors like renewables, oil and gas, and infrastructure remained strong globally. International business exhibited a healthy growth of 50% YoY on a healthy base, led by USA, Europe, and Asia. Segmental operating profit at ₹16,447 million was up by 58% YoY, while segmental operating margin at 13.1% was up by 339 bps YoY.

17%

YoY revenue growth in W&C segment



Domestic Cables

The domestic cables business experienced exceptional growth during the year on the back of strong demand from government-led initiatives as well as private sector-driven demand. The robust growth is a win of the Company's internal initiatives and execution capabilities that allowed it to take full advantage of the strong demand. The Company's strategy to merge its HDC and LDC verticals bore results, as it enabled cross-selling, as well as unlocked significant efficiencies across salesforce, supply chain, operations, and back office, while also adding to customer delight. Distribution expansion helped the Company increase its product availability in 146 new cities during the year, boosting sales. Aiming to improve customer centricity and understand the end-user better, the Company started engaging directly with customers, generating orders for its distributors. This resulted in direct quotes from the Company to customers increasing from 16% in FY22 to 34% in FY23, giving better control over pricing and market dynamics, aiding margins as well as augmenting secondary sales. During the year, the Company also continued to improve its cash-flow generation efficiency by increasing the channel finance and advance payment from its channel partners to 83%.

To reap the benefits of the expected upcycle and grow ahead of the industry, the Company will continue with its strong focus on execution and reinforcement of its core strengths through investments in distribution expansion, R&D, digitalisation, and data analytics.

Cable Exports

During the year, the Company's export business grew by an impressive 50% over last year, contributing to 9.8% of the overall revenue, compared to 7.6% last year. The Company continued to be one of the largest exporter of cables in India, exporting to 70 countries across the globe. Demand in Americas, Europe, and Asia regions gave the maximum traction to sales. Unlike in the past, the sales growth was granular in nature, with no single order contributing to a large proportion of the exports.

Renewables, Oil & Gas, and Infrastructure sectors were the largest driver of growth during the year. The global thrust on renewable energy has played an important role in our growing export story. Transitioning to clean energy requires an overhaul of existing systems and this requires laying down fresh cables for power transmission. Polycab's success has also been through its positioning as a 'One-stop solution for all cabling requirements'. During the year, the Company launched various new cables, such as telecom hybrid cables, lead sheath offshore cables, submarine medium voltage cables, as per the industry's requirements. The Company also has a pool of global consultants who help it on the technology side whenever the Company gets new requirements from customers so that the Company can quickly respond to its customers.

9.8%

Contribution of exports to total revenue

Special Purpose Cables

Special Cables Business Unit offers e-Beam cross-linked cables that are relevant in the Railways, Defence, and Automotive markets. These cables are used in tough conditions and operate under high voltage and temperature conditions. The unit follows the B2B business model and engages directly with customers like Indian Railways, Indian Navy, ship-building companies, and automotive companies. The products are used in railway coaches, locomotives, submarines, cars, commercial vehicles (CV) and electric vehicles (EV).

For FY23, the business growth of 66% was driven mainly by the railway and defence segment.

The railways business grew well both on cables and wire harnesses. In addition to the coach and locomotive factories, a lot of progress was made with the systems suppliers in the railway segment. Opportunities generated through the Government of India's initiatives such as the focus on operating more semi-high-speed trains in the future like Vande Bharat, targeted 100% electrification of all broad-gauge lines, developing dedicated freight corridors, plan to operate more private trains, will ensure that this business will get good traction.

The defence business was driven by cables sales to the Indian Navy. To further optimise this opportunity, the development of new cables for pressure-tight underwater applications, shore supplies, is underway and will drive business in the coming years. The organisation has also developed strong relationships with all the shipyards, setting the platform for future growth.

The automotive business saw good growth in the battery cable business, high voltage cables for commercial vehicles, and electric vehicle (EV) battery charging cables. Powertrain changes from internal combustion engines to EVs are expected to be a huge phenomenon, and accordingly, product development along with product qualifications for the passenger EV cables is underway.

Domestic Wires

The domestic wire segment saw single-digit growth in FY23, on a high base and in a declining commodity price environment. Its proportion in the W&C segment saw a slight decline over the last year due to the relative outperformance of cables.

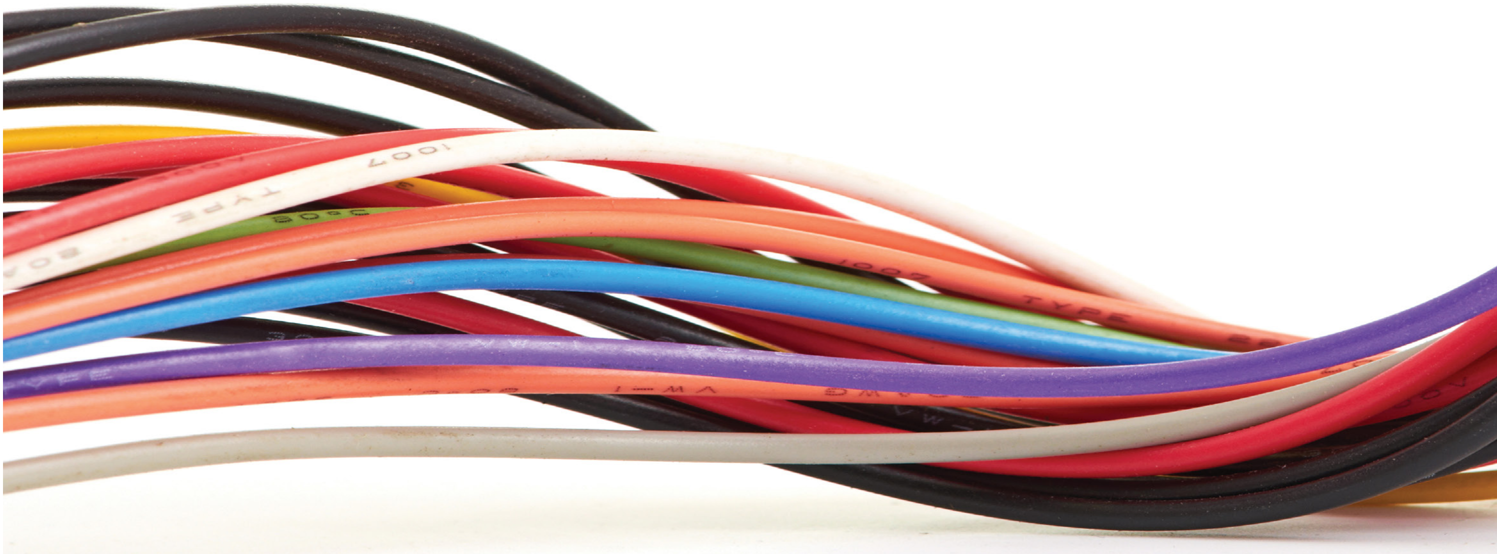
Demand for housing wires was supported by strong demand from real estate. Residential real estate is going through an upcycle, with housing sales registering a 9-year high in CY 2022. With a decline in the outstanding inventory, the residential real estate sector witnessed record launches last year and higher sales, which showcases the optimism of real estate developers and augurs well for the future growth of this segment. While the continued rise in interest rates during the year resulted in a slight slowdown in the sales momentum at the end of the year, the existing home loan rates are still lower than the average historical home loan rates and are thus not expected to have a significant impact on future growth.

Aligned with India's 'Go Green' mission, last year, the Company relaunched 'Green Wire'–an energy-efficient and environment-friendly product that conforms to European norms in environmental sustainability and cable safety. The product has found preference on a large scale from green building developers, leading to strong sales during the year. Green Wire contributed to 7% of the total retail wire sales during the year. The 'Etira' brand of wires launched last year to capture the economy price segment also did well, contributing to ~12% of the retail wire sales in FY23. Combined with the Green Wire in the premium category and Etira Wires in the economy category, the Company has covered the entire spectrum of price points, catering to all segments of customers.

The Company continued to invest in marketing activities during the year to improve brand recognition and recall. The Company launched a TV commercial for Green Wire during a sporting event, conducted product education drives, webinars, and meets for influencers, builders, and trade partners, organised training sessions for partner electricians, and launched influencer ads on social media platforms. Branding within the wires segment has become a major decision driver for the end users and Polycab will capitalise on this opportunity by continuing to invest in brand building, product marketing and influencer management.

Other: W&C update

The Company's adoption of Project LEAP has helped in achieving operational excellence and drive growth in the cables segment through the merger of HDC and LDC verticals. Cognisant of a similar opportunity in the wires



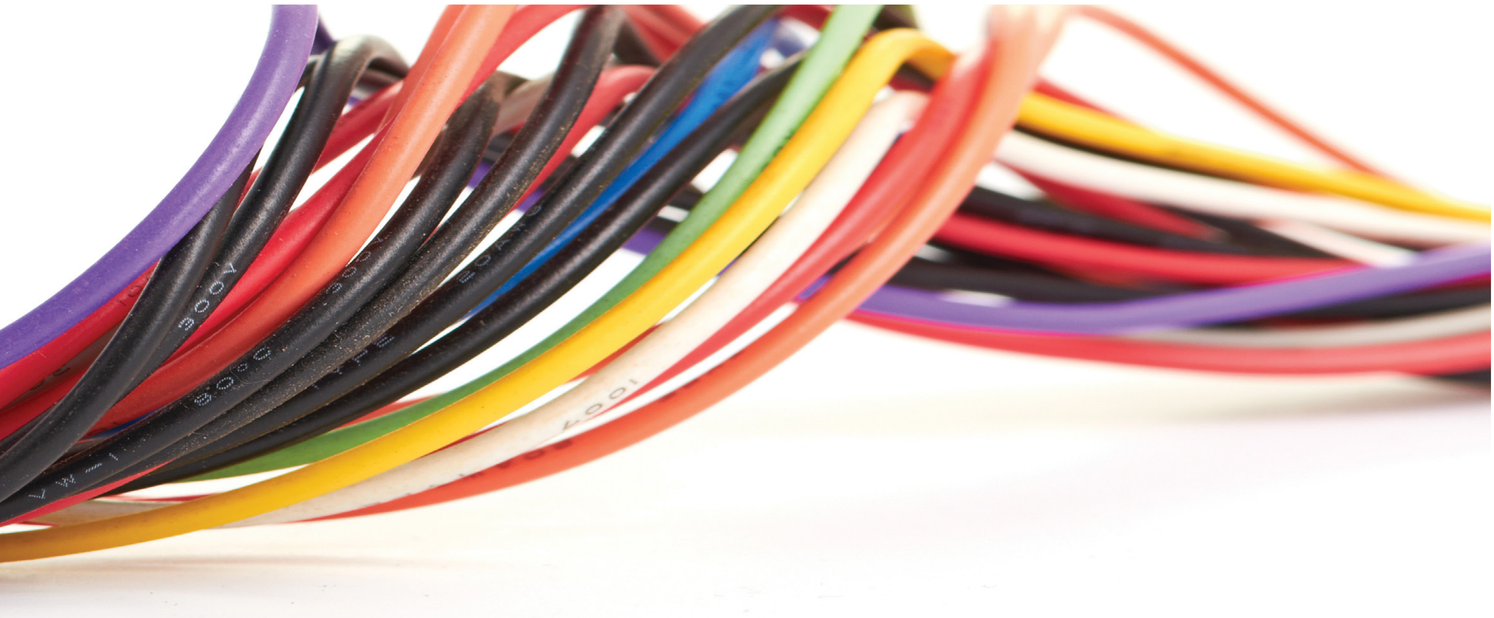
market, the Company, during the year, merged its wires segment and switches and switchgears segments. The significant overlap between the distribution channels of these verticals will be leveraged to generate higher business through cross-selling, availing a larger share of the customer's wallet. Team optimisation will also help in the faster rolling out of Go-To-Market (GTM) initiatives at a leaner cost base. Streamlining the marketing and influencer management platforms will also lead to increased efficacy.

Also, during the year, the Company tied up with a leading Swiss company Brugg Cables for a technology procurement agreement to set up EHV cables manufacturing plant in Halol, Gujarat. With power demand multiplying across all Tier 1 and 2 cities, and with 'Smart Cities' coming up, the entire overhead high voltage transmission line conductors will have to go underground, leading to the demand for High Voltage/ Extra High Voltage cables to grow exponentially. Also, due to the ever-increasing load transmission system, the Company anticipates the 220kV transmission line to move to 400 kV and soon expects to see 550 kV transmission lines in India. Through the technology know-how agreement, Brugg will transfer designing, testing, production, and installation technology to Polycab for upto 550kV voltage systems. The Company would be putting in capex in FY24 and FY25 to set up the facility and expects the project to be completed and production to start in FY26. The investment will open up an expected ₹40-50 billion of potential HV/ EHV domestic market and also a significant amount of overseas business for Polycab.

W&C: Business Outlook

The Company is positive about the growth prospects of the Wires & Cables (W&C) industry in the near to mid-term. With the government's push towards manufacturing and infrastructure, the real estate being in its upcycle, and the economic climate favourable, the W&C industry is poised for accelerated growth in the near term. Being the market leader, the Company is in a strong position to reap the benefit of the expected growth.

Domestically, the demand for W&C industry is expected to be driven by factors such as expansion and modernisation of power transmission and distribution infrastructure, upgradation and expansion of the railway network, increased investments in metro railroads, smart grid initiatives, and development of smart cities. In addition to catering to the demand from these opportunities, Polycab will look to drive growth by focusing on the twin opportunities of import substitution and that from rural geographies. The Government's emphasis on 'Atmanirbhar Bharat' has led to an increase in investment in sunrise sectors such as Renewables, Defence, and Electric Vehicles. These sectors have traditionally depended on imported cables for their requirements. However, the Company, over the past few years has ramped up its R&D activities to develop and manufacture these cables in-house and capture this expanding market. The other large opportunity that Polycab is looking at is to capture the unorganised market, largely present in Tier 3 and 4 towns of the Country. The Company launched the 'Etira' brand in the wires segment last year to cater to the price-sensitive customer base in these regions.



Globally, Renewables, Oil & Gas, and Infrastructure sectors are expected to drive the growth in the W&C industry. Diversification of supply chain globally is opening up vast opportunities for growing manufacturing markets such as India, and Polycab, being the largest wires and cables manufacturer in India, is gaining disproportionately in the export market. Leveraging its strong investment in R&D and separate manufacturing plant for each product category, the Company has established itself globally as a one-stop solution for all cabling requirements. Polycab is currently among the top 10 wires and cables manufactures in the world and aims to be among the top 5 in the medium term.

Considering the evolving customer needs, the Company is at the forefront of the market with its strong brand recall, cutting-edge R&D, largest distribution network, and superior supply chain which contributes to its competitive advantage. The Company has its sights set on the upcoming opportunities within the sector and will look at expanding its market domestically and globally.

Fast-Moving Electrical Goods (FMEG)

FMEG revenue was flat at ₹ 12,512 million during the year, as against ₹12,544 million in FY22. This was on account of the strategic realignment of the distribution channel undertaken during the year, as part of Project LEAP, to enable an improved pace of future business growth. The challenging business environment, especially for the mid-price segment and economy segment products, due to continued high inflation further affected sales. In spite of the slowdown in the current year, the business has clocked an impressive 30% CAGR growth over the past 7 years on the back of good quality and innovative products, wide distribution reach, and investments in brand marketing. The business contributed 9% to the Company's top line during the year.

Polycab worked on five major business aspects during the year to enable accelerated future growth. For the FMEG business segment, the Company moved on to a large-distributor model of operation, in which a large-distributor, supported by 8-10 sub-distributors, will cater to demand from a cluster of towns. This will increase the availability of the Company's products across a wider geography and more retail outlets, without having to on-board more distributors. The Company also increased its investment in brand building through higher spending for Above the Line (ATL) and Below the Line (BTL) marketing activities. The A&P spends, which are largely for the FMEG segment and wires, increased by 51% during the year over FY22. Through its acquisition of Silvan last year, Polycab improved on its R&D efforts for the FMEG segment, stoking innovation, as well as product development and launches across price points, to cater to customers from all segments. This is in line with the premiumisation of offerings strategy followed by the Company to improve its margins. The Company also expanded its influencer management programme to more cities, to improve brand awareness and increase sales.

₹12,512 Mn

FMEG Revenue

Fans, Appliances, Lights and Luminaries

During the year, the Company merged its Fans and Appliances vertical with its Lighting vertical to aid operational efficiency and cross-selling. Both verticals have a similar distribution network, and the merger would lead to a faster rollout of the Go-to-Market strategy at a lower cost. Going ahead, the Company will also streamline the marketing and influencer platform between the two segments to increase efficacy.

The fan and appliances industry grew by 10% YoY in FY23 to reach ₹144 billion in size, largely on account of inflation-led higher realisations as well as channel stocking of fans ahead of the transition to the BEE energy efficiency norms. The transition to BEE norms is expected to have long-lasting effects on the fans industry. As customer awareness increases about higher-energy-efficient fans, the market share of premium fans, such as BLDC, will increase–a trend already visible due to rising levels of disposable incomes as well as preference for products that guarantee quality and reliability. Moreover, it will also accelerate the market share gain of organised players, as higher input costs to attain the threshold of energy efficiency per BEE norms will bereft unorganised players–and organised players dependent on outsourcing manufacturing–of the only advantage of lower input costs. This presents an opportunity for players like Polycab, which have in-house manufacturing, to improve on margins. The Company completely liquidated its non-BEE compliant inventory and successfully moved on to the BEE-norms compliant inventory, introducing ~40 new fan SKUs in quarter-four of the year. In line with its premiumisation strategy, roughly 60% of these new SKUs were in the premium and super-premium categories. With the non-BEE compliant inventory with the channel partners sold out, the Company is positive about improved sales momentum in FY24. Sales growth next year will also be supported by the increased capacity of 6 million units annually through our new fan manufacturing plant, which became operational in Halol in March 2023.

The Lighting and Luminaires (L&L) industry is estimated to have grown in high single digits to reach ₹ 204 billion in size. The growth was comparatively lower this year as demand was affected by high inflation as well as stock correction. With demand for L&L now staying consistent through the year, distributors have moved away from the earlier practice of high inventory stocking, which has led to an industry-wide stock correction at the distributor level. Market share gains for organised players continued this year as well due to higher brand recall and improved cross-product portfolios. End-users are taking an active part in decision-making, choosing high-quality popular brands over unknown ones.

The Company continued with its strategic focus on high-value categories like panels. There has been a shift in customer preference towards the LED segment with an increase in demand for energy-efficient products, backed by the Government's thrust onto green energy. Leveraging this opportunity, the Company launched its 3-in-1 LED portfolio, aggressively marketing it through TV commercials and other influencer mediums.

Polycab has strategically merged its Fan vertical with the Lights vertical to achieve operational efficiency

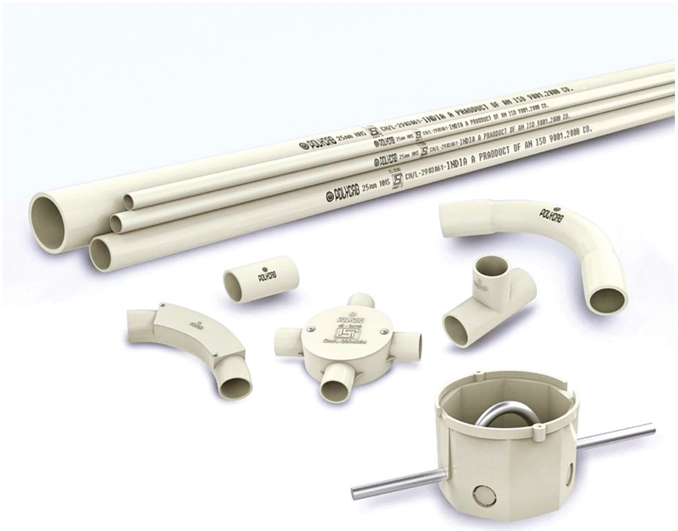
Switches and Switchgears

The switches and switchgears sectors saw moderate growth this year, on a strong base, with the rebound in the real estate sector being the primary demand driver.

The low-voltage B2C switchgears industry, which is the Company's area of focus, grew by 10% YoY to reach ₹22 billion in size. For the Company, the switchgears business saw a decline on account of the distribution rejig undertaken during the year. However, the Company took some progressive steps during this transformation, to get back to growth from FY24. The Company upgraded the features of its 10kA MCBs and revised its prices upwards to match that of its peers–this will aid margins going ahead. Towards the end of the year, the Company also introduced the 6kA MCBs in certain geographies, with a roadmap to launch it pan-India in FY24. Going ahead, there are plans to participate in the B2B market, bidding for large government and industry orders, expanding the addressable market by another ₹53 billion. The influencer incentive programme too was strategically modified during the third quarter, helping the segment register growth in second half of the year over the first half.

Similar to the switchgears industry, the growth of the switches industry too moderated in FY23, to 10%, on a higher base. For the Company, after witnessing a decline in the first quarter due to supply challenges, the segment picked up a healthy pace in the remaining quarters, as its in-house manufacturing facility at Daman became operational. The segment exhibited a growth of 126% in H2FY23 over H1FY23. In addition to better product availability, the new facility will drive innovation and improve GTM time, thus helping strengthen the Company's market share. A consistent trend visible across the spectrum of customers is a rising demand for safe and secure modular switches. To capitalise on this opportunity and gain market share from the unorganised players, the Company extended its low-cost 'Etira' brand to the switches category to cater to the price-conscious customers.

From FY24, the Company intends to increase its presence and focus on both the switches and switchgears segment to get a better share of this highly lucrative high-profit margin product categories. Distribution expansion through the large-distributor model, enhanced cross-selling through the merger with the wires vertical, KAM initiatives in real estate, influencer incentive program, better product availability through in-house manufacturing, better packaging and branding, and new product development initiatives are expected to drive the growth for these two segments, as the Company looks to increase their share in the FMEG revenue basket to 50% in the coming years.



Conduits and Fittings

Conduits and Fittings are products used to route and protect electrical wiring. Made from the highest grade of waterproof and fire resistant polymers, these products are crucial for ensuring greater safety for every electrical circuit. These products are low-ticket items and are generally installed inside the wall. Hence, the quality consciousness among customers is relatively low. This, along with low barriers to entry, makes conduits and fittings a highly fragmented market, with nearly 30%-40% of it being unorganised. The size of the market as at the end of FY23 stood at ₹67 billion. The Company's conduits and fittings business was flat YoY, contributing to double-digits of the FMEG segment revenue. The Company is focused on growing this segment via cross-selling, D2C distribution expansion, and quality awareness campaigns.

Other FMEG Categories

Our other FMEG business primarily comprises pumps and solar products and is in a growing stage.

FMEG: Business Outlook

FMEG industry is poised for sustained growth backed by macro trends like rising disposable income, growing consumer aspirations and awareness, rural electrification, urbanisation, and digital connectivity.

From FY24, the Company expects its FMEG business to demonstrate growth at a rate faster than the industry. Distribution expansion through the large-distributor model will gain pace as Polycab ties up with an increasing number of large-distributors across geographies. In-house manufacturing and increased backward integration will ensure product quality, product availability, margin improvement, and reduced GTM time. The strategic merger of verticals will drive cross-selling, and help cut costs through operational efficiency, while improving customer delight.

Customer preference for product design and aesthetics continues to gain prominence. This provides a unique opportunity for challenger FMEG brands, such as Polycab, to gain market share through focus on product design and innovation. Intermediaries such as electricians, interior designers, architects, etc. have emerged as major decision influencers for FMEG products. The Company's structured influencer management programme, which was piloted last year under Project LEAP is being scaled up across more cities and all dimensions of influencers to capitalise on this trend. The Company is also investing aggressively in advertising and promotional activities, both ATL and BTL, to capture the customer's mind. In addition, the Company is also following a multi-format retail approach by creating a superior brand presence through Polycab Galleria, Arena, and Shoppe. This is a part of Polycab's strategy to showcase its product offerings and offer customers a wide range of quality products. All these initiatives will form the base for growing the FMEG top-line beyond the industry average and will be the bedrock for the Company's target of being among the top five players in select large FMEG categories in the years to come.

The Company is also committed to achieving EBITDA margins of 10%-12% by FY26 in this segment. Profitability will be supported by the Company's tactical shift towards premiumisation of its offerings. Product innovation and brand building will be leveraged to drive the sale of premium products. The Company will also increase its focus on higher-margin businesses like switches and switchgear, aiding profitability. And with all products manufactured in-house and strong backward integration, economies of scale will kick in with higher utilisation and sales.

Other Categories

The Other segment, which largely represents the Company's Engineering Procurement & Construction (EPC) business and subsidiaries, clocked ₹3,584 million in revenue, growing by 22% YoY with construction activities picking pace. Segment EBIT stood at ₹432 million with EBIT margins at 12.1%. The segment accounted for 2% of total sales for the year under review.

Other: Outlook

EPC is a strategic business, which aims to leverage the Company's wire & cables manufacturing ability and improve its management and execution skills to tap emerging opportunities in the power and digital infrastructure space. However, the Company is cognisant of the inherent challenges of the business and maintains a prudent approach when selecting projects with a great emphasis on a higher component of W&C supply in project value, optimal return of capital, and acceptable risk levels. The annual sustainable operating margin in this business is expected to be in the high single digit over the medium to long term.

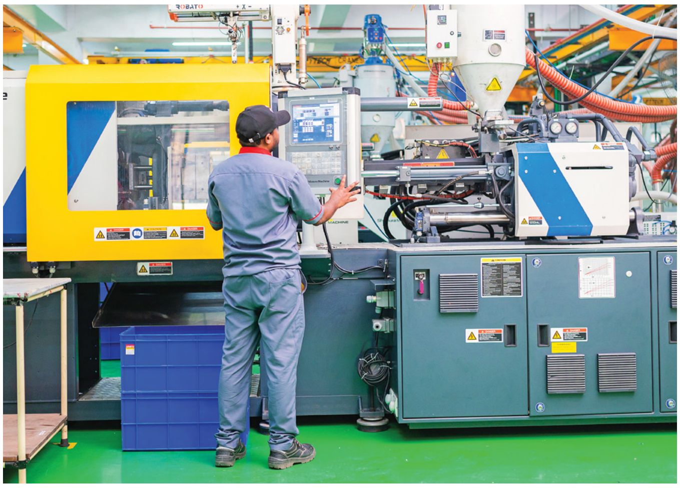
Internal Control Systems and Adequacy

The Company maintains a robust framework of internal controls that are in accordance with the nature and size of the business. The framework addresses the evolving risk complexities and underpins the Company's strong corporate culture and good governance. The Internal Audit plan is approved by Audit Committee at the beginning of every year. The purpose of an internal audit is to examine and evaluate the internal controls and risks associated with the Company's operations. It covers factories, warehouses, and centrally controlled businesses and functions.

While these controls comply with the terms of the Companies Act, 2013, and the globally accepted framework issued by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, they are also regularly tested by statutory and internal auditors for their effectiveness. The framework is a combination of entity-level controls that include enterprise risk management, legal compliance framework, internal audit and anti-fraud mechanisms such as the Ethics Framework, Code of Conduct, Vigil Mechanism and Whistle-Blower Policy, and process-level controls, IT-based controls, period-end financial reporting and closing controls. The Company has clearly defined the policies, SOPs, Financial & Operation RAPID (Delegation of Authority), and organisational structure to ensure smooth conduct of its business. Technologies are leveraged in process standardisation, automation, and their controls. The extensive risk-based process of internal audits and management reviews provides assurance to the Board with respect to the adequacy and efficacy of internal controls.

Market for our products

₹**144** Bn Fans & Appliances	₹**83** Bn Switches
₹**22** Bn LV Switchgear	₹**204** Bn Lighting



Internal audit reports are reviewed by the Audit Committee every quarter. Furthermore, the Committee also monitors the management actions implemented as a result of the internal audit reviews. Polycab is mindful of the fact that all internal control frameworks have limitations. Therefore, it conducts regular audits and review processes to ensure that the systems are continuously strengthened to improve effectiveness. The management has evaluated the operative effectiveness of these controls and noted no significant deficiencies or material weaknesses that might impact the financial statements as of 31 March 2023.

Human Resources

The Company believes that employees are its most valuable assets and continuously strives to help them realise their full potential. Polycab's Human Resource function looks after employee recruitment, training, performance management, emotional and mental well-being, financial wellness, and stress management. The Company believes in employee empowerment and works to create a happy and healthy work environment. People have been and will continue to be the Company's core strength.

During the year, Polycab developed and released its Rewards and Recognitions (R&R) Policy. The framework has four dimensions to ensure holistic recognition for all individuals and teams who have demonstrated outstanding behaviours and/ or performance. The process covers Rewards, Recognition, Annual Awards and Long Service Awards. During the year, 2,279 employees were recognised and rewarded under this framework.

Subsequent to the end of the year, the Company rolled out a Long Term Incentive Plan (LTIP) to incentivise high performers, who through their skills and performance have played a vital role in the success of the Company and are considered core drivers for the future growth of the Company. The LTIP comprises Employee Stock Option Plans (ESOPs), performance-based cash payouts as well as monetary support towards skill development for eligible employees, currently rolled out for a 5-year duration from May 2023 to May 2028.

"The Company believes the Long Term Incentive Plan (LTIP) will serve as a powerful tool to align the interests of employees with the long-term goals of the Company"

ESOPs provide employees with a tangible stake in the organisation's success, fostering a sense of ownership, loyalty, and motivation. By linking performance-based cash payouts to predetermined targets, the plan further incentivises employees to excel and contribute to the Company's sustained growth. Supporting employees seeking higher professional education or qualification(s) to enhance their skills and knowledge, will directly add value to the Company. This comprehensive approach will not only attract and retain top talent but will also cultivate a culture of accountability and teamwork, propelling the Company towards long-term success and value creation.

Polycab's management recognise that diversity and inclusion are crucial to its success, and continues to work towards creating a diverse and inclusive work environment at the Company. In the new switch manufacturing plant in Daman, Gujarat, female employees constitute ~65% of the employee base, and this will be further enhanced to ~70% in the next financial year. This will drive the empowerment of women and opportunity for the local talent in Daman.

At the end of FY23, the Company had 12,640 employees and workers working at its various offices, manufacturing plants and warehouses.

Financial review: FY23 vs FY22

Consolidated Balance Sheet

Property, plant, and equipment (PPE) and intangible assets

- Total additions to PPE and Intangibles were ₹5,979 million mainly on account of.

(a) Capitalisation of Building of ₹3,539 million, which largely includes ~₹2,000 million for new corporate office in Mumbai and remaining for other capex projects of Company.

(b) Capitalisation of Plant & Machinery of ₹1,938 million, which attributes ~70% for wire & cable and ~30% for FMEG.

(c) Other major additions include office equipments ₹182 million, electrical equipments ₹177 million, furniture & fixtures ₹94 million, computer software ₹20 million, freehold land ₹18 million and vehicles ₹9 million.

- Capital Work-in-Progress (CWIP) stood at ₹2,508 million as on 31 March 2023 largely attributed to the expansion of Cable and Wire and FMEG manufacturing capacities.

- The Company has provided adequate depreciation and amortisation in accordance with the useful lives of the assets determined in compliance with the requirements of the Companies Act, 2013. In a certain class of assets, the group uses different useful life than those prescribed in schedule II of the Companies Act, 2013 as detailed under the accounting policy section of the financial statements.

Investments — Current

The Company has invested surplus funds of ₹13,505 million in Liquid/ Overnight Mutual Funds mutual funds as on 31 March 2023.

Other financial assets

Total other financial assets (non-current and current) decreased by ₹210 million to ₹366 million as on 31 March 2023 on account of reduction in investment in fixed deposits having original maturity more than 12 months by ₹120 million and reduction in fair value of Embedded derivative amounting by ₹230 million. This is partially offset by increase in interest accrued on bank deposits by ₹97 million and by other items.

Other assets

Total other assets (non-current and current) increased by ₹2,512 million to ₹7,379 million as on 31 March 2023 mainly due to increase in balances with statutory authorities by ₹2,264 million and increase in capital advances by ₹283 million.

Inventories

Inventory as of 31 March 2023 was ₹29,514 million compared to ₹21,996 million as of 31 March 2022 mainly on account of increase in raw material by ₹7,150 million. The Company maintained higher inventory contemplating better business opportunities in the near future. Our inventory days (basis average) derived from consolidated financial statements was 89 days in FY23 against 81 days in FY22.

Trade receivables

Trade receivables (non-current and current) as of 31 March 2023 stood at ₹12,992 million against ₹13,763 million on 31 March 2022, a decrease of ₹771 million.

Non-current trade receivables

Non-current trade receivables stood at ₹526 million as on 31 March 2023, a decrease of ₹273 million compared to ₹799 million as on 31 March 2022. The receivables largely comprised of retention money held by government customers pertaining to ongoing EPC projects.

Current Trade Receivables

Current trade receivables decreased by ₹498 million to ₹12,466 million as on 31 March 2023. Our receivable days (basis average) derived from consolidated financial statements was 33 days in FY23 against 41 days in FY22, benefitting on account of higher channel finance sales.

Cash and Cash Equivalent and other Bank Balances

Cash and cash equivalents and other bank balance aggregated to ₹6,952 million as on 31 March 2023 compared to ₹4,071 million as on 31 March 2022. The surplus funds are parked in fixed deposits with original maturity upto 12 months.

Share Capital

The paid-up share capital as at 31 March 2023 was ₹1,498 million (31 March 2022: ₹1,494 million) comprising 149,765,278 Equity shares of face value ₹10 each.
During the year, the Company further issued 322,238 shares to employees under ESOP schemes.

Other Equity

Other equity comprises reserves and surplus and other comprehensive income. Total other equity increased by ₹10,871 million in FY23 and stood at ₹64,814 million.

Reserves and surplus included in the other equity includes retained earnings, securities premium, general reserve, and other reserves comprising ESOP outstanding account, share application money pending allotment, cash flow hedge reserve and foreign currency translation reserve.

- The Securities premium balance increased by ₹268 million due to fresh issue of equity shares to employees under ESOP scheme.
- The general reserve balance has no movement during the year and it stood at ₹615 million.
- ESOP outstanding decreased by ₹30 million due to recording of ₹108 million stock-based compensation in relation to its ESOP plans and the reduction of ₹138 million on account of exercise of stock options.
- Retained earnings balance increased by ₹10,631 million due to Profit for the year of ₹12,726 million and cash dividend payout of ₹2,095 million.
- Foreign currency translation reserve increased by ₹8 million on account of conversion of foreign subsidiary financials from their functional currency to reporting currency of the Company.
- Share application money pending allotment decreased by ₹5 million on account of issue of shares on exercise of employee stock options.

Borrowings

Borrowings (non-current and current) increased by ₹720 million to ₹1,551 million as on 31 March 2023, mainly on account of cash credit and buyer's credit loan drawn by subsidiaries.

Other Financial Liability

Other financial liabilities (current) increased by ₹171 million to ₹857 million as on 31 March 2023, mainly on account of increase in creditors for capital expenditure by ₹88 million and increase in interest accrued but not due by ₹85 million.

Other Liability

Other liability primarily consists of advances from the customer, other statutory dues, deferred liability, contract liability, refund liability, and deferred government grants. Total other liabilities (non-current and current) decreased by ₹456 million mainly on account of:

- Decrease in contract liability by ₹530 million on account of recognition of contract revenue.
- Decrease in statutory dues by ₹44 million.
- Increase in advance received from customers by ₹154 million.

Trade Payables

Total balance as at 31 March 2023 was ₹20,326 million as compared to the balance of ₹12,175 million on 31 March 2022, increase by ₹8,151 million, due to increase in acceptances and increase in size of business.

Provisions

The total balance (non-current and current) as of 31 March 2023 was ₹717 million as compared to balance of ₹518 million as of 31 March 2022. It was increased by ₹199 million due to increase in other provisions related to indirect tax matters of ₹163 million, increase in compensated absences by ₹18 million and increase in gratuity provision by ₹18 million. The parent Company in India provides gratuity benefits for its employees wherein the plan is funded with the fund balance kept with Life Insurance Corporation of India. The liability for gratuity and compensated absences is based on the valuation from the independent actuary.

Deferred Tax Liability

Deferred tax liability increased to ₹423 million from ₹272 million, an increase of ₹151 million on account of tax impact on temporary differences.

(₹ million)

	31 March 2023	31 March 2023	Movement
Non-current tax assets (net of provision for taxation)	252	479	(227)
Current tax liabilities (net of advance tax)	(349)	(159)	(190)
Net tax asset / (liability) at the end of the year	**(97)**	**319**	**(417)**

The net tax liability as on 31 March 2023 was ₹97 million, an increase of ₹417 million was due to tax provision of ₹4,121 million which is offset by advance tax payment of ₹3,704 million.

Consolidated Results (P&L)

Revenue from Operations

Revenue from operations increased by 16% to ₹141,078 million in FY23 from ₹122,038 million in FY22 largely on account of healthy volume growth in the cable and wire business. Our segment-wise growth is as below:

(₹ million)

	Revenue		YoY growth
	Year ended 31 March 2023	Year ended 31 March 2022	
Wires and cables	123,203	106,302	16%
FMEG	12,404	12,502	-1%
Revenue from Construction Contracts	3,636	1,888	93%
Others	1,490	1,128	32%
Export incentive and government grant	345	218	58%
Total	**141,078**	**122,038**	**16%**

Other Income

Other income primarily comprises interest income, income from investment in mutual funds, fair valuation of financial instruments, exchange difference, and others. Other income increased by ₹434 million to ₹1,333 million mainly attributed due to:

- Increase in gain on mutual fund investment by ₹424 million
- Increase in gain on sale of property, plant and equipment by ₹98 million
- Increase in fair valuation of financial instruments by ₹30 million
- Increase in interest income by ₹26 million
- Decrease in exchange gain by ₹133 million

Management Discussion and Analysis

Cost of Goods Sold

Costs of Goods Sold (COGS) consists of the following line items in the financials:

- Cost of materials consumed
- Purchases of stock-in-trade
- Changes in inventories of finished goods, stock-in-trade, and work-in-progress
- Project bought outs and subcontracting costs

Costs of goods sold as a percentage of sales decreased by 3.1% to ₹105,109 million in FY23 mainly due to favourable business mix and judicious price revisions.

Employee Benefit Expenses

The employment expenses increased by ₹502 million to ₹4,568 million from ₹4,066 million, an increase of 12% was on account of yearly increments and new hiring. As a percentage to revenue, employee cost was 3.24 % in FY23 as compared to 3.33% in FY22.

We instituted the ESOP Plan 2018, ESOP Performance Scheme, and ESOP Privilege Scheme for issuance of stock options to eligible employees. The compensation cost recognised for these ESOP schemes was ₹108 million for FY23 and ₹161 million for FY22 which was included in the employee benefit expenses.

Finance Cost

Finance cost largely includes interest cost, bank charges, and foreign exchange gains/(losses) on borrowings. Our finance costs increased by ₹246 million to ₹598 million in FY23 primarily due increase in acceptances and hike in interest rate.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased to ₹2,092 million in FY23 compared to ₹2,015 million in FY22, increase of ₹76 million largely due to addition in PPE.

Other Expenses

Other expenses increased by ₹2,217 million to ₹12,880 million in FY 23 from ₹10,663 million in FY 22. As a % of revenue, other expenses were 9.13% in FY 23 as compared to 8.74% in FY 22.

Increase/Decrease was largely on account of:

- Increase in advertising and sales promotion spends by ₹421 million mainly due to spends on major campaigns like T20 Cricket World Cup, ICC World Cup Tournaments, Green Wire TV commercial, etc.
- Following expenses are in line with an increase in revenue:
  - Increase in power and fuel by ₹398 million
  - Increase in freight and forwarding expense by ₹406 million
  - Increase in sub-contracting expenses by ₹194 million
  - Increase in legal and professional charges by ₹175 million
  - Increase in travel and conveyance expenses by ₹130 million

Consolidated cash flow

	As on 31 March 2023	As on 31 March 2022	Change
Net cash inflow from operations	14,275	5,116	9,159
Net cash used in investing activities	(12,026)	(4,269)	(7,757)
Net cash used in financing activities	(2,271)	(2,007)	(264)
Net increase/decrease in cash and cash equivalents	(22)	(1,160)	1,138

Net cash inflow from operations:

Net cash inflow from operating activities in FY23 was ₹14,275 million mainly on account of:

Major cash inflows:

- Operating profit before working capital changes by ₹19,037 million
- Increase in Trade Payable by ₹7,980 million
- Decrease in financial liabilities and provisions by ₹1,105 million

Major cash outflows:

- Increase in inventories by ₹7,517 million
- Increase in Non-current financial assets by ₹2,229 million

Net cash used in investing activities:

Net cash used in investing activities in FY23 was ₹12,026 million mainly due to:

- Net investment in mutual funds and fixed deposits of ₹7,665 million
- Purchase of property, plant and equipment (including CWIP) of ₹4,774 million

Net cash used in financing activities:

Net cash used in financing activities in FY23 was ₹2,271 million, mainly on account of:

- Payment of dividend of ₹2,095 million

Details of significant changes in key financial ratios

	As on 31 March 2023	As on 31 March 2022	Change	Remark
Debtors' turnover ratio	11.1	8.9	24.3%	Higher channel finance led to improvement in debtor's turnover ratio
Inventory turnover ratio	4.1	4.5	-9.7%	Higher inventory maintained contemplating better near-term business opportunities led to decline in inventory turnover ratio
Current ratio	2.6	2.9	-10.9%	Decrease largely on account of increase in usage of Letter of Credit partly offset by increase in inventory
Debt equity ratio	0.02	0.01	55.8%	No significant changes
Operating margin (EBITDA/ Net sales)	13.1%	10.3%	2.8%	Improvement due to change in sales mix and judicious price revisions
Net profit margin (PAT/Net sales)	9.1%	7.5%	1.6%	Improvement due to change in sales mix and judicious price revisions
Return on equity	20.9%	17.7%	3.2%	Improved due to higher profitability during the current year