Annexure – VIII to Board's Report

Management Discussion & Analysis Report

Indian Economy

India is one of the fastest-growing trillion-dollar economies in the world and the fifth-largest overall, with a nominal GDP of $2.94 trillion[(1)]. India has become the fifth-largest economy in 2019, overtaking the United Kingdom and France. The country ranks third when GDP is compared in terms of purchasing power parity at $11.33 trillion[(1)].

According to the Economic Survey 2020, India's GDP is projected to grow at 6.5 per cent in FY2020-21 and is on its way towards achieving the $5 trillion economy target by 2024-25[(2)]. The uptake beginning from the second half of 2019-20 was mainly due to positive factors such as picking up of NIFTY for the first time this year, an upbeat secondary market, higher FDI flows, the build-up of demand pressure, positive outlook for rural consumption, the rebound of industrial activity, steady improvement in manufacturing, growth in merchandise exports, the higher build-up of foreign exchange reserves and positive growth rate of GST revenue collection[(2)]. However, the ongoing COVID-19 predicament could be less encouraging for the economy. India's GDP growth is forecasted to slow down to 1.9 per cent for the fiscal year 2020-21. Even so, the International Monetary Fund, in its latest edition of the world economy report, has placed India as the fastest-growing emerging economies of the world. It is among the only two major countries, which will register a positive growth rate in 2020, the other being China, for which the IMF has projected a growth rate of 1.2 per cent [(3)]. Assuming the pandemic fades in the second half of 2020 and that policy actions around the world are effective, India could grow at 7.4 per cent in 2021[(3)]. According to IMF forecasts, consumer price inflation (CPI) in India will grow to 4.1 per cent in 2020, compared to 3.4 per cent in 2019[(19)]. India's Gold Reserves was reported at 30.578 USD bn in March 2020. This records an increase from the previous number of 29.897 USD bn for Feb 2020[(18)].

Indian Healthcare Environment

The healthcare sector comprises of healthcare delivery, pharmaceuticals, medical devices, clinical trials, and health insurance segments. The Indian healthcare sector is expected to record a threefold rise, at a CAGR of 22 per cent during 2016-2022 to reach US$ 372 billion in 2022 from US$ 110 billion in 2016[(4)].

Rising income level, greater health awareness, increased precedence of lifestyle diseases and improved access to insurance would be the key contributors to growth. Changing attitudes towards preventive healthcare, the rise of Non-Communicable Diseases (NCDs), increased penetration in tier 2 & 3 along with telemedicine is expected to boost healthcare services demand in the future. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research. Conducive policies for encouraging FDI, tax benefits, favourable government policies coupled with promising growth prospects have helped the industry attract private equity, venture capitals, and foreign players[(4)].

Under the Union Budget 2019-20, the Government of India approved the continuation of the National Health Mission with a budget of ₹ 31,745 crore (US$ 4.40 billion)[(4)]. The Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PMJAY), the largest government-funded healthcare programme aiming towards more than 500 million beneficiaries, was allocated ₹ 6,400 crore, under the Union Budget 2019-20. As of November 2019, about 63.7 lakhs people have received free treatment under the Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana [(4)].

The government has announced ₹ 62,659.12 crore (US$ 8.97 billion) outlay for the health sector in FY20. Under the Rashtriya Swasthya Bima Yojna (RSBY), the Government of India released a budget estimate ₹ 2,000 crore in FY18-19, higher than the previous fiscal year[(4)].

The Government of India is planning to increase public health spending to 2.5 per cent of the country's GDP by 2025. Along with that, the share of healthcare expenditure as a percentage of Gross Domestic Product (GDP) is expected to rise by 19.7 per cent by 2027[(4)].

The hospital industry in India stood at ₹ 4 lakhs crore (US$ 61.79 billion) in FY17 and is expected to reach ₹ 8,60,000 crore (US$ 132.84 billion) by FY22. The private sector accounts for almost 74 per cent of the country's total healthcare expenditure and has emerged as a vibrant force in India's healthcare industry, leading it to both national and international repute. Tele-medicine has shown strong acceptance across the industry. Major hospitals have adopted telemedicine services and entered into several public-private partnerships (PPP)[(4)].

Indian medical tourism market is growing at the rate of 18 per cent year on year and is expected to reach US$ 9 billion by 2020. The value of merger and acquisition (M&A) deals in the hospital sector jumped by a record of 155 per cent at ₹ 7,615 (US$ 1.09 billion) crore in FY19[(4)].

Healthcare in India is being reimagined due to the various market forces in play which are transforming the pattern of consumerism, dependency on digital technologies, provider landscape, diagnosis, healthcare workforce, disease burden and regulatory regimes. The government is also taking steps to ensure the delivery of accessible and affordable services through its Ayushman Bharat scheme. New healthcare models or ecosystem of solutions are being envisioned and implemented in India which are allowing providers to save time, helping patients to take control of their health data, and enabling healthcare organisation to include more personalised treatments. Delivery of care is also being reimagined so that the hospitals move beyond the bricks and mortar, particularly if the patients are aged or are suffering from chronic conditions[12].

Indian Pharmaceutical Market (IPM)

The ₹150,153 crore (US$ 19.63 billion) Indian Pharmaceutical industry experienced a value growth of 10.8% in FY2019-20 over FY2018-19[5].

Domestic Indian companies account for an 80% share of IPM and had a value growth of 11.7% in FY 2019-2020, while the MNCs grew at 7.4%. While the Indian companies registered a volume growth of 4.2 % in FY19-20 against 3.7% in FY 2018-19, the MNCs experienced a 1.8% decline in volumes[10].

The therapeutic areas of Antidiabetic, Inhaled Respiratory, Cardiovascular, and Oncology in which AstraZeneca India is actively operating, grew higher than the overall market growth of 10.8% for FY 2019-20 [10].

Pharmaceutical Business Environment – Outlook

The Indian pharmaceutical market is forecasted to grow at a CAGR of 9.3% (±2.0%) between 2019 and 2024, reaching ₹ 2,396.2 billion (US$ 31.33 billion) by 2023[5]. India is expected to be among the top three pharmaceutical markets by incremental growth and the sixth-largest market globally in absolute size by the end of 2020[13]. Increasing incidence and diagnosis of NCDs, strategic partnerships from foreign players with local players, initiatives to improve access to healthcare and medicines, a positive outlook of the regulatory environment, and associated new drug launches, implementation of robust digital healthcare initiatives, expansion of healthcare infrastructure, are some of the factors that will drive growth in the sector[5]. Imposed cap on mark up prices, the outbreak of COVID-19, tightened regulatory measures, ban on 400+ FDCs are likely to impact growth rate in short-term[5].

Growth and Demand Drivers:

1. **Increasing incidence and diagnosis of NCDs[5]:** Non-communicable diseases (NCDs) are accounting for an increasing share of morbidity and mortality and driving pharmaceutical consumption, partly due to the success of communicable disease control initiatives, but also because pollution and unhealthy lifestyles are driving up the incidence of conditions such as chronic respiratory disease, cancer, and cardiovascular disease. The latest forecasts by the International Diabetes Federation predict that the number of diabetics in India will rise by 84% to 134 million by 2045, while the number of undiagnosed cases is estimated to rise to 78 million. As the disease burden of cancer is increasing as well, in a bid to tackle cancer more effectively, at the national level, government policies involve the provision of funds to support the improvement and expansion of the existing cancer care infrastructure, while state-level initiatives involve investments in infrastructure, screening programs and, in some cases, access to free chemotherapy.

2. **Increasing health insurance coverage[7]:** Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (ABPMJAY) health insurance scheme, will be rolled out progressively, which targets coverage of 107.4 million underprivileged and vulnerable families – equivalent to around 500 million people. It plans to cover an annual value of ₹ 5,00,000 per family falling under hospital care. As of 23rd April 2020, more than 12,45,21,843 e-cards had been distributed to AB-PMJAY affiliates, while almost 97,51,125 beneficiaries had been admitted to close to 21,000 hospitals[7]. Along with this scheme, continuing economic expansion will drive further growth of the private health insurance market, with group plans majorly contributing to growth.

3. **Expansion of co-marketing agreements [5]:** In the current market scenario, co-marketing activities are being observed very frequently for new drugs and at an earlier stage. Leading local companies exhibit large size and reach of salesforce making them an attractive partner for foreign multinationals looking for quick market penetration for new brands or an increase in sales for more established products. The benefits that such alliances can offer for both originators and local partners mean that co-marketing activities will increase further.

4. **Initiatives to improve access to healthcare and essential medicines:** Under the aspirational India program, GOI has a holistic vision of healthcare that translates into the wellness of the citizen. FIT India movement is a vital part of the fight against Non-communicable diseases coming out of lifestyle issues [7]. For the year 2020-21, a total of ₹ 34,115 crore (US$ 4.46 billion) is to be allocated to the National Health Mission, along with ₹ 6,429 crore (US$ 0.84 billion) to PMJAY – Ayushman Bharat scheme[5]. In addition to the AB-PMJAY scheme, the government's two-pronged Ayushman Bharat ('Healthy India') policy initiative includes plans to transform 150,000 existing public facilities into Health and Wellness Centers (HWCs), offering a comprehensive range of primary care services – including screening for NCDs – and access to free essential drugs and diagnostic tests. More than 22,000 HWCs had been established by January 2020. Initiatives designed to broaden access to free or affordable drugs include the Jan Aushadhi network of low-cost generic dispensing outlets, and the Affordable Medicines and Reliable Implants for Treatment (AMRIT) program to make a range of hospital drugs available at heavily discounted prices in selected hospital pharmacies. As of early 2020, there were more than 5,500 Jan Aushadhi outlets across the country, with plans for a further expansion drive, targeting the establishment of 7,500 outlets by the end of 2020[5].

5. **Introduction of OTC regulations[5]:** The Drugs Consultative Committee (DCC) set up a committee to expedite the development of an explicit OTC classification

and a regulatory framework governing the distribution and sale of OTC products in March 2019. These will form the basis of new rules governing the sale of drugs by pharmacists without a prescription. The creation of an explicit OTC category will present attractive opportunities for manufacturers, reflecting the freedom of OTCs from price controls and advertising restrictions. Leading domestic companies with an established presence in the sector have already begun to pursue the acquisition of additional OTC assets.

6. **Expansion of healthcare infrastructure[7]:** Presently, under PM Jan Arogya Yojana (PMJAY), there are more than 20,000 empanelled hospitals. GOI is proposing to have more in Tier-2 and Tier-3 cities for poorer people under this scheme. It is proposed to set up a Viability Gap funding window for setting up hospitals in the PPP model.

7. **Driving Digital Healthcare[7]:** GOI is proposing to use machine learning and AI, under the Ayushman Bharat scheme, so that health authorities and the medical fraternity can target disease with an appropriately designed preventive regime. Under BhratNet program GOI plans to connect health and wellness centers across India for which ₹ 6,000 crores (US$ 0.78billion) is allocated. Along with this, there is a significant rise of health tech startups, entry of technology players in the healthcare domain and existing players building platforms enabling access to the holistic healthcare environment. Entire eco-system is being developed keeping patients at the centre. Healthcare awareness and availability of connected tools are empowering patients, providing greater transparency and choice [12]. Increasing focus on patient-centric care, the emergence of advanced technologies, and changing business models have played a crucial role in driving the healthcare apps market in India. In terms of revenue, the healthcare apps market in India has valued at INR 2,701 crores in 2018 and is estimated to reach INR 13,800 crores by 2024, expanding at a CAGR of ~31.61% during the 2019-2024 period[17].

8. **Emphasis on Medical education[7]:** To meet the shortage of qualified medical doctors, both general practitioners as well as specialists, the government will encourage large hospitals with sufficient capacity to offer resident doctors Diploma and Fellow of National Board (DNB/ FNB) courses under the National Board of Examinations. Special courses to be designed by the Ministries of Health and Skill Development together with professional bodies to bring in equivalence so that for teachers, nurses, para-medical staff and care-givers can be industry-ready.

9. **Expansion of pharmacy chains and e-pharmacy businesses:** According to a Frost & Sullivan report, e-pharmacies market in India is expected to reach ₹25,000 crore (US$ 3.6billion) by 2022, growing at a CAGR of 63 per cent from 2018[13]. The e-pharmacies' share of the retail market is currently 5%, while some cities demonstrate higher share, and e-pharmacy sales show strong potential to grow over the next five years. Apollo Pharmacies Ltd. currently operates 3,200 stores, intending to double the revenue and open 5,000 retail outlets over the next 5 years. MedPlus, the second biggest player in the sector, has presence across 300 cities with 1650 stores. NetMeds plans to establish a hybrid model, aiming to build a national network of at least 1,000 franchised stores in metros & lower-tier cities [5]. Amid the COVID-19 crisis, all the platforms are observing an unprecedented surge in sales. E-pharmacy platforms are widely appreciated amongst people. There is a 200% upsurge in orders per day with Medlife, which is around 20,000 orders a day [13].

10. **Improvements in the drug registration process[5]:** The New Drugs and Clinical Trials Rules 2019, notified by the Ministry of Health and Family Welfare (MOHFW), will expedite approval of certain drugs if the drug is already authorised in countries recognised by the Central Drugs Standard Control Organisation (CDSCO). These measures will encourage the early launch of innovative drugs in India at an early stage in their worldwide rollout. Along with provisions to streamline and accelerate the clinical trial application process, local trial waivers will be granted under certain conditions, provided drugs are already approved in countries recognised by Indian regulators.

Risks/Threats

1. **Challenges caused due to COVID-19:** India is importing about 85% of its total requirement of active pharmaceutical ingredients (APIs) from China, according to the Trade Promotion Council of India. Some of the critical APIs for high-burden disease categories such as cardiovascular diseases, diabetes, and tuberculosis are listed in the National List of Essential Medicines (NLEM)[8]. The administration has limited exports of crucial meds to manage the circumstance. With across the nation lockdown, the spike in deals is seen as customers loaded up on essential prescriptions. While field force is facing issues to reach out to doctors, strong inclination towards adoption of digital channels is being observed[9].

2. **More frequent updates of the NLEM[5]:** NLEM has a crucial influence in the public sector in purchasing and prescribing decisions. A shift to a more dynamic approach was signalled in 2018 when the MOHFW established a Standing Committee on Medicines (SNCM), which will meet at six-monthly intervals to consider revisions to the NLEM. The dynamic approach of the management of the NLEM could affect the number of products that are subject to DPCO price controls.

3. **Intensifying downward pressure on prices[5]:** Pressure on drug prices will intensify, driven by the imposition of caps on trade mark-ups applied to a growing number of non-scheduled products and an increase in the number of molecules listed on Schedule I of the Drug Price Control Order (DPCO), which are subject to explicit regulatory

control. The impact of the DPCO on prices will increase if more products are added to the National List of Essential Medicines (NLEM) as the list is updated more frequently but could escalate more dramatically if DPCO controls were applied to all forms of molecules on the list.

Business model

The Company is engaged in the business of manufacture, distribution and marketing of pharmaceutical products and co-ordinates clinical trial services with an overseas group company.

During the year under review, total revenue from operations is amounting to ₹ 8,318.1 million out of which sales of pharmaceutical products is ₹ 8,012.6 million (96.3%), and Sale of services to related parties – clinical trials is ₹ 305.1 million (3.7%).

Since all the Company's activities fall within a single business segment, separate segment-wise disclosures are not provided in the financials.

Outlook [10]

In FY 2020-21, AstraZeneca will continue to priortise investments in its focus areas in-line with its global growth platforms. Accelerating new products remains a key priority and the Company is committed to maintaining timelines of key regulatory milestones to align with the global pipeline, subject to conduct of clinical trials, regulatory approvals, and reasonable commercial viability.

All the therapeutic areas in which the company is currently active have recorded above-average market growth during FY2019-20. These comprise of the therapeutic areas of Antidiabetic, Inhaled Respiratory, Cardiovascular, and Oncology.

Antidiabetic therapy valued at ₹ 14,400 crore (US$ 1.88 billion) for FY2019-20 is currently the second-largest category of the Indian pharmaceutical market, with 11.8% growth (FY2019-20). The Oral Antidiabetic segment (OAD) constitutes 73.54% of the total Anti-Diabetic segment and is valued at ₹ 10,590 crore (US$ 1.38 billion) exhibiting a growth of 12.6% over FY2018-19. AstraZeneca has a strong portfolio of oral antidiabetic products with presence in 2 key drug classes: namely, in SGLT2i inhibitors, and DPP-4 inhibitors. SGLT2 inhibitors have been the fastest-growing class of OAD in recent years and continue to be a category leader in terms of growth, with a growth rate of 44% for FY 2019-20, accounting for 9% of the OAD market. DPP-4 Inhibitors account for over 33% of the total OAD market.

Phase III DAPA-HF trial showed dapagliflozin on top of standard of care, reduced both the incidence of cardiovascular fatalities and the worsening of heart failure. Dapagliflozin becomes the first SGLT2 inhibitor to show meaningful benefit in patients with CKD in a trial including both type-2 diabetics and non-diabetics[16]. The Saxagliptin franchise products are well-differentiated and enjoy a good acceptance by the medical community.

Even after LOE in Oct 2019, Brilinta (Ticagrelor), the Company's innovative Oral Antiplatelatet (OAP) drug has emerged as the market leader in terms of the value and continues to be the fastest-growing class of OAP. AstraZeneca will strive to reach, and benefit maximum eligible patients, and sustained its market leadership.

The Company's respiratory business has a presence in two key indications: Asthma and Chronic obstructive pulmonary disease (COPD). The current respiratory portfolio comprises of inhalers which are growing at 12.7% (FY 2019-20). The current high burden of illness coupled with worsening air quality in some of our major cities will only contribute to the increase in the prevalence of chronic respiratory diseases. Symbicort – an Inhaled corticosteroid (ICS) and a Long-acting beta-agonist (LABA) combination with an innovative delivery mechanism, has been one of the fastest-growing ICS/LABA brands, with a growth of 27% (FY 2019-20), more than double the growth rate of the category. A strong product pipeline in respiratory is expected to drive significant growth in the coming years, subject to successful clinical trials, regulatory approvals, and reasonable commercial viability.

Cancer is becoming a major cause of mortality in India. The total cancer cases in the year 2020 are projected to reach 1,148,757. The Company's current oncology portfolio is active in the areas of women's cancer, prostate, and lung cancer. The entire portfolio has shown 168 percent growth in terms of value with Tagrisso and Lynparza being major contributors. Lynparza is the first PARP (poly ADP ribose polymerase) inhibitor launched in India and had received approvals for its use as maintenance therapy in newly diagnosed Ovarian Cancer patients with a BRCA (Breast Cancer gene) mutation in mid-2019. Lynparza now has approvals as maintenance therapy for both, newly diagnosed and recurrent ovarian cancer, apart from the Breast Cancer approval it had received earlier. It has shown the strongest growth in terms of value and stood at ₹ 19 crore in 2019[15], just within a year from its launch. Tagrisso, launched in FY 2017-18, continues to set new benchmarks. In terms of value, it has doubled its growth and stood at ₹ 84 crore in 2019[15]. Tagrisso is the leading brand in lung cancer by sales value and recorded the fastest growth amongst recent launches across tumour types in Oncology. Imfinzi, launched in Oct 2019, has started showing promising numbers as well. In India, approximately one-third of patients with NSCLC are present with Stage III disease, and Durvalumab is the first and only approved immunotherapy into this setting. The Company hopes to tap into the robust global oncology pipeline and expand its offerings in the country subject to successful clinical trials, regulatory approvals, and reasonable commercial viability.

The Company will continue to emphasise high standards of sales and marketing practices, maintaining a strong focus on patient needs and safety. The Company will remain committed to high product quality, which underpins the safety and efficacy of its medicines.

The Company will maintain a strong focus on cost optimisation and controls. The Company is undertaking measures to reduce unproductive discretionary and non-customer facing spends. It also continues to develop simple and more efficient processes to encourage accountability and improve decision-making and communication.

The COVID-19 outbreak has spread rapidly during the last quarter of the financial year. Governments across the globe, including in India, have undertaken various measures to contain the spread of the virus including restrictions on travel, social distancing and other emergency measures. These measures have had a direct impact on businesses and have affected the supply chains and production of goods. Lower economic activity has also resulted in the suppressed demand for goods and services.

The Company is engaged in the business of manufacture, distribution and marketing of life-changing medicines in crucial areas of healthcare including oncology, cardiovascular, diabetes, renal, metabolic and respiratory. Products supplied by the Company have been classified as essential goods during the COVID-19 pandemic.

The Company initially experienced some delays in delivery of supplies to upcountry customers due to restrictions on courier services, but this has gradually stabilised and deliveries are now regular and timely. In view of the lockdown and curfew announced across many states in India, the Company has undertaken and strengthened various measures to ensure the safety and well-being of its employees and has focused on continued delivery of medicines across the country, by ensuring that its key functions i.e. procurement, manufacturing, supply chain, marketing, sales and support functions continue to operate smoothly.

Management has considered its liquidity position as at March 31, 2020 and over the next twelve months from the date of approval of the financial statements for FY 2019-20, by performing cash flow assessments and a sensitivity analysis thereon and has concluded that the Company will have adequate liquidity in the ordinary course of business.

As at the year end, management has assessed the recoverability of the carrying values of property, plant and equipment, trade receivables and inventory and concluded that no further adjustments are required to be made in respect of such assets as at March 31, 2020.

The management has carried out a physical verification of inventories at all locations to obtain comfort over the existence and condition of inventories as at March 31, 2020. Due to the current COVID-19 pandemic situation, the Company has implemented strict safety measures at the manufacturing plant, to ensure there is minimal risk of contamination and one such measure relates restriction of entry inside the plant only to those employees who are related with the manufacturing activity.

As explained above, management has considered all possible impacts of known events arising from COVID-19 pandemic in the preparation of these financial statements and therefore, believes that the current pandemic is not likely to have a material impact on the operations and financial position of the Company. However, the impact assessment of COVID-19 is a continuous process given the uncertainties associated with its nature and duration. The Company will continue to closely monitor any material changes to future economic conditions.

The Company will also continue to focus on its social responsibility efforts. In 2019, the company launched the 'Ganga Godavari Cancer Screening Programme' in partnership with Indian Cancer Society & Charities Aid Foundation India. The programme aims to conduct a specialised check-up of cancer for females in a defined population and create awareness and early screening of screenable cancer such as oral, cervical and breast cancer in women. The beneficiaries for the project will be the underprivileged population residing in slums and resettlement areas in urban areas population and workers in Industries and other organisations. In the first phase of the programme, the company has already reached over 4,000 women beneficiaries. The company also continues to engage its employees in AstraZeneca's global community investment initiative, the Young Health Programme which is focused on the prevention of NCDs.

In line with the company's core value around Patient-centricity, it has successfully collaborated with leading state governments such as Maharashtra and Kerala to establish Centers of Excellence for Diabetes and associated metabolic diseases, under its Early Action in Diabetes program. The centres provide comprehensive diagnosis, management and counselling support to diabetic patients. The company has also collaborated with the Employee State Insurance Corporation to launch 'Severe Asthma help desks' under its Healthy Lung program to provide diagnostic, management and counselling support for patients with uncontrolled asthma. The company is also at the forefront of driving Healthcare Innovation in India through successful collaboration with NASSCOM and establishing an accelerator program for healthcare start-ups in the country. Giving a further fillip to the Innovation agenda is the 'The India-Sweden Healthcare Innovation Centre' being launched at AIIMS Jodhpur, in collaboration with the Swedish Trade Commissioner's Office, All India Institute of Medical Sciences, New Delhi (AIIMS Delhi) and All India Institute of Medical Sciences, Jodhpur (AIIMS Jodhpur). The idea is to address healthcare challenges in India by enabling an ecosystem of collaboration and innovation from among academia, industry, policymakers and start-ups. The patient access initiatives will continue to remain a key driver for increasing patient access to our therapies.

Internal control systems and their adequacy

The Company has internal control systems comprising of authority levels and powers, supervision, checks and balances, policies, procedures and internal audit. During the last year, the Company's Internal Finance Control was independently tested and validated by external auditors through the AstraZeneca

Financial Control Framework (FCF). The Company ensures that the internal control system is reviewed and updated on an on-going basis through FCF and the use of external management assurance services. The Company monitors and manages risks in its interactions with third parties (Vendors and Distributors) through its Third-Party Risk Management (3PRM) framework. This framework provides methodology, guidance and tools for managing third-party risks related to Anti-Bribery and Anti-Corruption, Data Privacy, Confidentiality, Trade Control and Competition, Product Communication and Product Security. Internal audits for the Financial Year 2019-20 were carried out by independent auditors, based on the audit plan approved by the Audit Committee. The plan included the audit of the depots of the Company, key processes within Operations and Marketing units including enabling functions. The Audit Committee and the Management have reviewed the recommendations of the Internal Auditors and appropriate remediation steps are being taken to implement their recommendations.

Discussion on financial performance with respect to operational performance

During the year ended March 31, 2020, the Company's total income was at ₹ 8,318.1 million as against ₹ 7,282.9 million reported in the corresponding previous year.

The total cost was at ₹ 7,308.3 million during the year as compared to ₹ 6,719.1 million in the previous year. The profit after tax was ₹ 722.1 million during the year compared to ₹ 544.5 million in the previous year.

Significant changes in Financial Ratios

During the year, the significant changes in the financial ratios of the Company, which are more than 25% as compared to the previous year are summorised below:

Financial Ratio	2019-20	2018-19	Change	Reason for change
Operating Profit Margin (%)	13%	10%	38%	Increase is on account of growth in revenue
Return on Net Worth	20%	18%	9%	Increase is on account of growth in revenue

Development in Human Resources / Industrial Relations

We continue to provide career development and learning opportunities for our employees (1,325 as on March 31, 2020). During the year, the India Development Week (iDevelop) was conducted to enable employees to understand how to build careers and gain experiences across functions and businesses. Training programs to strengthen the scientific and technical knowledge of the employees were extensively implemented across the businesses. There continues to be a focus on building gender diversity in the workforce and building a supportive eco-system for women employees through our AZ Women Network. Additionally, to promote and accelerate our women talent careers across the level we have introduced Accelerate Her Development program and Women Mentorship Program in 2019. Also, our focus on developing simple and more efficient processes to encourage accountability and improve decision-making/communication process continues across the organisation.

Cautionary Statement

Statements made in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, and expectations may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include amongst others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which it operates, changes in government regulations, tax laws, and other statutes and incidental factors.

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