

# Management Discussion and Analysis

## Economic Overview

### Global economy

According to IMF's projections, growth for 2024 and 2025 will hold steady at around 3.2%, with median headline inflation declining from 2.8% at the end of 2024 to 2.4% at the end of 2025.<sup>1</sup> Most indicators point to a soft landing. Geopolitical tensions continue to disrupt supply chains leading to a decline in international trade and climate change is pressuring all countries to radically alter their growth strategies and policies.

Since 2022, there has been high inflation that led to a significant drag on consumer spending. Responding to this, most Central banks globally, took swift action to curb inflation through interest rate hikes, which, while necessary, disincentivised investment activity. However, strong labour markets and business innovation helped maintain momentum. As Central banks approached the end of their tightening cycle, inflation began to show signs of easing, dropping from 8.8% in 2022 to 6.9% in 2023.

### Indian economy

Despite a struggling global economy, India maintained its position as one of the fastest-growing large economies in the world. The Indian economy demonstrated strong resilience against the uncertain global landscape. With the increase in disposable income, both private consumption and spending have significantly improved. In FY24, the Indian economy grew strongly at 8.2% (as per National Statistical Office) which was supported by Central bank's monetary policies.

In FY 24, India attracted significant foreign direct investment (FDI) of nearly USD 17.96 billion. The Indian rupee has also shown relative stability during the year, supported by the country's robust economic performance and strong macroeconomic fundamentals. The rupee emerged as the third most stable Asian currency against the US dollar in the fiscal year 2023-24.

Despite potential headwinds such as hardening crude oil prices and global supply chain bottlenecks; India's FY25 growth is expected to remain strong at around 6.8% (as per IMF forecasts). This growth will be supported by buoyant domestic demand and a rising working-age population.

## Infrastructure industry

Infrastructure is a key enabler in helping India become a USD 26 trillion economy.<sup>2</sup> The infrastructure sector acts as a catalyst for India's economic growth as it drives the growth of the allied sectors like, housing, built-up infrastructure, and construction development projects. The budget for infrastructure-related ministries during the year increased significantly to ₹ 5 lakh crore<sup>3</sup> resulting in increased private sector investment. In addition, over the last few years, several infrastructure-related initiatives such as the National Infrastructure Pipeline and the National Monetization Pipeline have been launched to drive increased investments in the sector.

The Indian Government is making substantial investments to modernise the country's ageing infrastructure across transport, logistics, energy, etc. As the Government increasingly focuses on modernising and further strengthening the country's infrastructure, this will have a significantly positive impact on the building materials sector as the construction activity gathers pace across segments. The Indian construction market is expected to reach USD 1.42 trillion by 2027, expanding at a CAGR of 17.26% during the 2022-2027 forecast period.<sup>4</sup>

## Real estate industry

The sustained growth of the Indian economy has also resulted in strong growth of the real estate industry. The real estate market is currently estimated at about ₹24 lakh crore with residential segment contributing to nearly 80% share.<sup>5</sup> Notably, after the agricultural sector, the real estate sector is the second-largest employer in India. A key factor in the growth of the real estate sector is the rapid urbanization in the country. This is expected to lead to a sharp increase in not just housing demand; but also demand for commercial and retail spaces and rapid infrastructure development.

During FY25 continued developer action and a robust supply pipeline is likely to propel market growth and activity. An emerging trend that is also expected to change the current landscape of the residential real estate sector is the focus of developers on peripheral locations where infrastructure development is either in progress or planned.<sup>6</sup>

## Industry Overview

<sup>1</sup> <https://www.worldbank.org/en/publication/wdr2024>

<sup>2</sup> <https://www.ibef.org/industry/infrastructure-sector-india>

<sup>3</sup> <https://www.investindia.gov.in/team-india-blogs/indias-push-infrastructure-development#:~:text=The%20total%20budgetary%20outlay%20for,across%20various%20transport%20sub%2Dsegments.>

<sup>4</sup> <https://www.ibef.org/industry/infrastructure-sector-india>

<sup>5</sup> <https://economictimes.indiatimes.com/industry/services/property/-construction/credai-projects-7-crore-additional-housing-demand-by-2030/articleshow/108547722.cms?from=mdr>

<sup>6</sup> <https://www.hindustantimes.com/real-estate/4-real-estate-markets-to-watch-out-for-in-2024-101703328948252.html>

Technology adoption is also playing a pivotal role in the growth of the real estate sector, with PropTech innovations streamlining property transactions and management, thereby enhancing operational efficiencies. The industry is also making significant strides towards sustainability, in alignment with India's commitment at COP26 to achieve net-zero carbon emissions by 2070. The adoption of green building practices, guided by IGBC norms, aim to significantly reduce the sector's carbon footprint.

As per recent industry estimates (CREDAI), there will be additional housing demand of nearly seven crore by 2030. The real estate sector is expected to reach a market size of USD 1.3 trillion by FY34 and USD 5.17 trillion by FY47. Factors

such as stable mortgage rates, improving affordability, and a strong emphasis on homeownership are expected to continue to drive growth in the sector over the near to mid-term. These elements collectively foster a positive sentiment within the sector, indicating robust growth and investment over the coming years.

### Fibre cement roofing industry

Fibre cement is a popular material used for roofing purposes across residential, commercial, and industrial sectors. Its durability and resistance against diverse weather conditions, including rain, hail and high winds makes it a popular choice for roofing applications.

### Benefits of using fibre cement roofings



Fibre cement roofing is resistant to rot, mold, fire, and chemical damage, ensuring robust long-term performance without rusting or cracking.



Requires only occasional cleaning, fibre cement sheets remain functional and aesthetically pleasing with minimal effort.



The installation of fibre cement roofing improves air quality and flow, crucial for buildings that house livestock or when used for agriculture.



They are lightweight, available in large sizes and are easy to handle and install, reducing labour time and costs.

### Growth drivers of the Indian cement roofing industry

#### Government stimulus for the rural sector

For the fiscal year 2025, the Government of India has raised the budget allocation for rural development to ₹1.77 lakh crore, marking a ~13% increase from the previous year's allocation of ₹1.57 lakh crore<sup>7</sup>. In addition, the interim budget has outlined several other initiatives for rural development such as increased allocation to Pradhan Mantri Awaas Yojana Gramin (PMAYG) and Deendayal Antyodaya Yojana- National Rural Livelihoods Mission (DAY-NRLM) which are likely to provide a strong boost to the roofing industry.

#### Growth in auxiliary sectors

Demand for sheds within the small-scale industries sector, is set to generate substantial opportunities for the fibre cement sector. Fibre cement is extensively utilised in constructing coops and shades and thereby continued growth of such industries (e.g., poultry) will drive increased sales for such roofing solutions.

#### Growth in rural economy

Above normal monsoon expectations (IMD) this year and potential revival in rural economy<sup>8</sup> driven by various Government incentives is likely to bode well for the Company's roofing business.

### Pipes & fittings industry

The Indian plastic Pipes & Fittings industry continued its strong double digit volume growth in FY24 driven by strategic investments in infrastructure development and introduction of several innovative product offerings. This was also accompanied by a sharp volatility in raw material prices with PVC resin prices dropping to multi year lows. This resulted in lower prices of products and thereby increased affordability for customers.

Several Government initiatives and affordable housing are also significant growth drivers for the industry. The plastic Pipes & Fittings industry is projected to continue to display double digit volume growth in FY25 supported by the surge in demand for durable and cost-effective piping solutions in the burgeoning construction and infrastructure sectors. Continued focus by the Government on improving sanitation standards and access to safe drinking water through initiatives such as Swachh Bharat Mission (Gramin), Jal Jeevan Mission and AMRUT 2.0 will provide additional impetus to the industry. Government initiatives on ensuring direct connectivity of piped natural gas (PNG) to households is another key factor that is likely to drive growth for the Indian plastic pipes and fittings industry.

<sup>7</sup><https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2001136>

<sup>8</sup><https://www.sarkaritel.com/above-normal-monsoon-rainfall-in-2024-bodes-well-for-agricultural-sector/>

## Flooring industry

The global flooring market is currently valued at ~USD 242 billion (per Freedonia Global Marketing Report 2023) of which US and Europe are two largest markets. With the increasing demand for aesthetic and sustainable flooring solutions and the incorporation of innovative technology, demand in the flooring industry continues to rise.

Within the global flooring industry, the European region is valued at over USD 52 billion in CY2024. Several trends are driving this growth, such as rising disposable income that allows more investment in home improvement, including flooring for both, new constructions and renovations. European flooring is increasingly shifting towards resilient choices, such as Luxury Vinyl Tiles (LVTs) as they offer design freedom and lasting durability. Consumers are also prioritising environment related responsibility along with style and durability thereby leading to rise in demand for high-quality stylish and sustainable flooring options. Additionally, surge in e-commerce, amplifying visibility and heightening customer convenience will pave the way for a potential boost in the sales of flooring solutions. The flooring industry in Europe is expected to reach USD 65.3 billion by 2029 growing at a CAGR of 4.7%.

US demand for flooring products is forecast to rise by 2.5% per year to reach 30.6 billion square feet (USD 54.3 billion) by 2027. In 2024, LVT is projected to surpass carpeting as the most popular flooring product in the US. Strong demand for LVT will continue to be supported by the product's favourable performance properties such as easy installation, superior aesthetics and improved durability.

## Company overview

Established in 1946, HIL Limited is a flagship Company of the USD 3 billion CK Birla Group. The Company offers comprehensive home and building material solutions and has achieved market leadership with sustainable, high-quality, and innovative products that meet consumer needs and are future-ready.

HIL has six major brands: Charminar, Charminar Fortune, Birla Aerocon, Birla HIL, Parador, and Topline, the recently acquired Pipes & Fittings brand in Eastern India. The Company has 32 state-of-the-art manufacturing facilities in India, Germany, and Austria.

HIL through its dynamic R&D facilities in India and Germany offers innovative and novel solutions to consumers' ever-evolving needs. A key priority is the development of an environmentally friendly green product portfolio. With a strong emphasis on customer centricity, HIL Limited ensures a widespread reach through an extensive sales and distribution network that spans across India and over 80 countries globally.

## Key Strengths:

- **Strong value system and parentage:** HIL is a flagship Company of CK Birla Group, a Company built on a legacy of trust. With over 75 years of rich experience, the Company's products are synonymous with quality and innovation.
- **Established leading brands:** The Company has established leading brands such as Charminar, Birla Aerocon, Parador, and Birla-HIL, which are all well-known and amongst the market leaders in their respective product segments. These brands have received several awards over the years. Additionally, with the acquisition of Topline, HIL has further enhanced its brand strength in pipes and fittings in several key markets.
- **Diverse product portfolio:** HIL is a comprehensive building material solutions provider with products ranging from roofing, walling, flooring, construction chemicals and polymer solutions. The Company's product portfolio is continuously evolving to keep pace with consumer needs and is in strict compliance with regulatory norms.
- **Experienced and committed teams:** One of the Company's key strengths is its committed and dedicated workforce, which drives its success. Being certified as a Great Place to Work in India for six consecutive years is a testament to the pride and sense of belonging among its employees.
- **Manufacturing prowess:** HIL is one of the few home and building materials companies in India with a truly multi-location footprint. The Company operates 30 manufacturing facilities across 13 locations in India and 2 facilities in Europe. Lean Six Sigma practices, Industry 4.0, and business intelligence tools have been implemented across these manufacturing locations, helping to deliver industry-leading efficiencies.
- **Deep sales and distribution network:** HIL has an extensive network of over 40 depots and more than 8,000 stockists and distributors across India. The roofing business enjoys an industry-leading 60% tehsil penetration in the country. Additionally, the flooring business has a strong international presence in over 80 countries around the globe.
- **Innovation and R&D:** HIL is committed to developing and introducing the best quality, sustainable, and eco-friendly products with a focus on meeting customer needs while ensuring business profitability.
- **Governance:** Corporate governance, transparent business practices, and ethical values are the cornerstones of the Company's daily business operations.

### Strategic acquisition to drive future growth

In April 2024, HIL acquired Crestia Polytech Private Limited and its four group companies under the brand 'Topline', a renowned brand of Pipes & Fittings in Eastern India. This acquisition marks a significant milestone and is a testament to HIL's commitment to accelerate its fast-growing Pipes & Fittings business.

The acquisition doubles HIL's revenue in the Pipes & Fittings business and enhances production capacity three-fold. The Company gains access to Topline's significant channel presence across 15 states, particularly in the strategically important Eastern region.

This acquisition also enables HIL's entry and expansion into large segments such as high-density polyethylene (HDPE), medium-density polyethylene (MDPE), and water tanks. The Company will nearly double its SKU offerings and gain access to patented technologies such as in Electrofusion fittings and water tanks, positioning it among the top-tier players. Furthermore, this acquisition enhances HIL's presence significantly in government projects and secures Jal Jeevan Mission (JJM) approval across 12 states. HIL will now be able to serve customers in sectors such as Agriculture, Telecom, and Natural Gas.

### Product portfolio

With over 75 years of experience, HIL has established market leadership, customer trust and a strong brand recall across its diverse product offerings. A growing product portfolio is helping the Company drive towards its goal of being a USD 1 billion company.



## 1. Roofing Solutions

Charminar, HIL's flagship brand, is recognised as a market leader and a trusted brand in the Indian roofing segment.

### CHARMINAR

Charminar fibre cement sheet is a composite building and construction material used for constructing roofing for industrial buildings, warehouses, sheds and dwellings. It is used for roofing and facade applications. In addition to being strong and durable, Charminar fibre cement sheets are cost-effective and fire-resistant.

### CHARMINAR Fortune

It is HIL's breakthrough product that could herald a "green" and "sustainable" future of affordable roofing. It is an eco-friendly, humid cure roofing solution. The product offers features such as asbestos-free composition, low drying shrinkage, sound insulation and excellent dimensional stability.

## 2. Building Solutions

### BIRLA AEROCON

It is the flagship brand of the Company's Building solutions business and offers wet walling and dry walling solutions. The drywalling solution includes boards, jointing compound, and cement sandwich panel while the wet walling solution includes Birla Aerocon AAC blocks (Fly Ash Blocks) and dry mix materials.

The drywalling solution includes pre-cured, high-performance, light-weight, easy-to-install walling options. The wet walling solutions offer a more sustainable and cost-effective alternative to traditional building materials. It contains load-bearing and energy-saving building materials that require curing.

## 3. Polymer Solutions

### BIRLA HIL Pipes

Birla HIL Pipes offers a wide range of plumbing solutions that are eco-friendly, anti-microbial and leakproof are excellent for residential, industrial, agricultural and commercial purposes. The product portfolio includes cPVC, uPVC, column pipes, SWR, foamcore, pressure & UGD pipes & fittings and water tanks.

BIRLA HIL Pipes & Fittings feature unique TrueFit™ technology, offering 100% leak-proof joints and enhancing the value propositions for consumers. The CPVC pipes are an eco-friendly, aesthetic, and lightweight alternative to the commonly used GI pipes, suitable for hot and cold potable water applications in residential, commercial, and industrial settings. Additionally, the UPVC pressure piping systems come

in a variety of diameters and pressure classes, making them an excellent choice for water supply and irrigation.

The Company is expanding its product offerings to include additional SKUs to serve a wider set of customer needs and has recently introduced foam-core pipes. These pipes are multilayer pipes having outer and inner layers of conventional PVC and a middle layer of foamed PVC. These pipes are most suitable for underground drainage systems with their ability to absorb the load effectively and distribute the load more evenly.

### TOPLINE

HIL has recently acquired Crestia Polytech Private Limited under the brand 'Topline', a renowned brand in Pipes & Fittings segment in Eastern India. Topline offers a wide range of plumbing and water management solutions for residential, commercial, agricultural and infrastructure segments. The product portfolio includes cPVC, uPVC, HDPE, MDPE, PPR, casing pipes and fittings and water tanks (both roto and blow moulded). Topline is also one of the few players in the country that has a range of electrofusion fittings.

### BIRLA HIL Putty

"Birla HIL Putty" is a premium and well recognised brand in the fast-moving putty segment. It is made using advanced 'TRUE COLOUR' technology, which allows for a real reflection of the chosen paint shade. This makes the wall paint dazzle in its original 'just as you choose'. The putty does not require paint priming, making it cost-effective for all painting applications. Several other related products, such as gypsum plaster and waterproof putty, have been added to the product portfolio to cater to increased customer demand. Strategic supply locations in the South and East have been added to help serve customers faster.

### BIRLA HIL Construction Chemicals

Birla HIL is one of the fastest-growing construction chemicals brands in the country. HIL constantly strives to set industry benchmarks by consistently delivering state-of-the-art products tailored to meet the diverse needs of modern construction projects. The Company offers an elaborate range of products and solutions in various segments of construction, including tile and stone fixing, waterproofing, protective coatings, dry mix, and repair solutions.

## 4. Flooring Solutions

### PARADOR

Parador is a leading global interior brand with primary operations across Europe. The Brand is known for its design leadership and "Made in Germany" quality as well as for its consistent innovation and industry-



leading approach to sustainability and environmental stewardship. The flooring product portfolio includes engineered wood, laminate, luxury vinyl tiles and eco-friendly non-PVC resilient products. Parador sells in over 80 countries across the world and provides products for both residential and commercial channels.

### Renewable energy

In line with HIL's dedication to sustainability and reducing carbon footprint, a significant initiative has been embarked upon to embrace renewable energy sources, particularly wind and solar energy. Through strategic investments and partnerships, the Company is actively transitioning to greener sources of energy while driving operational efficiency and cost savings.

The Company has invested in wind power projects with a total rated capacity of 9.35 MW across Gujarat, Rajasthan, and Tamil Nadu. The energy generated from these projects is partly used for captive consumption at the Company's manufacturing units in Tamil Nadu and Gujarat, with excess generation sold to DISCOMs of the respective states.

By diversifying the energy portfolio with wind and solar power, the Company is decreasing its reliance on fossil fuels and mitigating the environmental impact associated with traditional energy generation sources.

### Innovation and R&D

HIL has advanced R&D and design centres in India and Germany which ensure robust product development and innovation. The state-of-the-art infrastructure test facility and in-house pilot plant at the Company's R&D center in Hyderabad have been recognised by the Department of Scientific & Industrial Research (DSIR), Government of India. The facility continuously adopts innovations in processes and researches evolving industry dynamics to maintain a competitive advantage. Sustained technological investments have enabled HIL to achieve efficient production and development of environment-friendly products. The innovation team supports the pursuit of continuous improvement in existing products and also delivers value-added products.

At Parador, there is a commitment to being design-forward, constantly developing new flooring that pushes the boundaries of both, aesthetics and functionality. The flooring products are known for their innovative designs and diverse range of aesthetic options. Each product is engineered and crafted to be highly durable, long-lasting, and features innovative installation systems.

### Technology and digitalization

HIL is committed to leveraging technology and digitalization to drive growth and solve business problems. The goal is to digitalise the entire value chain across HIL, enabling the Company to operate with greater efficiency and drive faster, data-driven decision-making.

To streamline its operations, the Company has implemented sensor-based, data capturing and analytics to anticipate

equipment failures, thereby minimising downtime and optimising asset performance. This implementation also enables real-time access to key performance indicators and facilitates sound data-driven decisions

The Company also utilises a digital twin model powered by Artificial Intelligence (AI) and Machine Learning (ML) to further optimise its operations. This model continuously analyses data on raw materials, quality history and other parameters, making recommendations on the best methods to operate and allocate resources, thus allowing the Company to meet its targets.

The Company has implemented strong security measures, driving a 99% uptime for its critical IT services, to ensure availability and operational efficiency. For data privacy, the Company is using Data Loss Prevention (DLP) to protect its information across its workloads. All the workloads of the Company are housed within a Hyper-Converged Infrastructure (HCI), guaranteeing optimal uptime for essential IT services. Additionally, the Company has a proactive vulnerability assessment tool that scans endpoints and networks to ensure security.

The Company has made significant strides in enhancing organisational capabilities and creating a culture conducive to digital innovation. Key initiatives such as establishing the Digital Academy and implementing a knowledge management platform play crucial roles in promoting collaboration, improving digital literacy, and facilitating effective change management across the Company.

Besides digitalising its operations, HIL is leveraging technology to transform other functions such as finance and sales. The latest digital finance tool, Taxation and FP&A (Financial Planning & Analysis) provides a seamless experience for end-to-end GST compliance. It also streamlines invoices and regular communications with vendors. The sales team utilises salesforce automation tools that equip them with critical information, simplifying order-taking processes and thereby enhancing efficiency.

Additionally, the Company is in the process of implementing CRM and loyalty platforms to drive synergies across its businesses resulting in better sales processes, increased lead conversion rates, higher share of the customer wallet and better influencer engagement and loyalty. Throughout this process, customer delight remains central to the approach.

HIL has also embarked on the S/4 HANA migration project, which is a pivotal step in its digital transformation journey. This transition promises real-time insights, streamlined operations, and enhanced competitiveness, reinforcing the Company's commitment to innovation and growth.

### Business and financial performance

HIL achieved a net revenue from operations of ₹ 2,230.85 crore as against ₹ 2,155.20 crore in the previous year on a standalone basis, an increase of 3.5% and on a consolidated basis, registered a net revenue from operation of ₹ 3,374.97 crore as against ₹ 3,478.96 crore in the previous year

recording a marginal decline of 3%. During the year under review, HIL registered profit before tax (PBT) of ₹ 95.82 crore before profit from exceptional items, on standalone basis as against ₹ 163.68 crore in the previous year, recording a decline of 41% mainly due to pricing pressure emanating from intensifying competition in all categories and increase in cost of raw material viz. fibre, cement and volatility in resin prices. Profit before tax on a consolidated basis for the financial year 2023-24 stood at ₹ 35.54 crore as against ₹ 116.73 crore in the previous year, recording a decline of 70% due to poor market demand.

On a consolidated basis, the net worth of the Company as of March 31, 2024 stood at ₹ 1253 crore as against ₹ 1244 crore in the previous year. The consolidated earnings per share (basic) for the financial year ended March 31, 2024 stood at ₹ 46.15 per share as against ₹ 129.09 per share for the financial year ended March 31, 2023.

A detailed discussion on financial performance and segment-wise operational performance of the Company for the financial year 2023-24 is included in the Board's Report.

## Key financial ratios

Key financial ratio*	FY-2023-24	FY-2022-23	% Change	Comments
Debtors Turnover (Times)	16.49	19.61	(16%)	-
Inventory Turnover (Times)	5.71	6.07	(6%)	-
Debt service coverage ratio (Times)	0.68	1.74	(60.72%)	Reduced profits and increased borrowings have resulted in the increased variance.
Current Ratio (Times)	1.34	1.17	14.53%	-
Debt Equity Ratio (Times)	0.26	0.11	150.11%	The variance is due to increase in the working capital loans and term loans taken by the Company during the year.
Operating Profit Margin (%)	7.82%	10.60%	(26.17%)	The variance is due to increase in employee cost and other expenses.
Net Profit Margin (%)	2.95%	6.04%	(51.16%)	The variance is due to reduced operational profits during the year.
Return on Net Worth (%) / Return on Equity (%)	5.71%	12.13%	(52.96%)	The variance is due to reduced operating profits.
Return on Capital Employed (%)	7.07%	13.70%	(48.41%)	The variance is due to reduced operating profits and increased borrowings.

(All numbers on standalone basis)

\*For more details please refer note no. 56 of the standalone financial statements forming part of this Annual Report.

## Environment, health and safety

HIL's focus on environmental protection and occupational health and safety is enshrined in its comprehensive EHS Policy, which outlines measures to safeguard employee well-being and cultivate a culture of safety across the organisation. The risk management strategy encompasses a thorough set of management and technical standards for key Environment, Health & Safety (EHS) risk areas across its business.

The EHS systems are being digitalised to report, track, and implement action plans in real time. Current and emerging environmental protection legislation and other areas of concern across the value chain are proactively monitored. HIL strives to achieve 'zero waste to landfill' in its direct operations. An Air Quality Management Standard has been established to define minimum requirements and best management practices, ensuring each applicable facility complies with air

regulations. The Company generates no process wastewater, and all water used in operations is recycled.

The risk management framework is designed to reduce environmental incidents and occupational injuries and illnesses. Over the past year, various initiatives have been implemented to enhance workplace safety, including investments in cutting-edge technology and regular safety training sessions aimed at identifying and mitigating occupational hazards. High-risk areas have been identified, and a wide range of technological solutions and awareness-raising initiatives have been invested in to help protect employees from injuries. For machine safety, virtual design reviews and augmented reality are utilised to perform technical risk assessments, ensuring all physical and safety awareness measures are effectively implemented. Additionally, ergonomic wearables have been introduced

to help reduce posture and ergonomic-related health risks for associates.

HIL prioritises environmental protection through its commitment to sustainability. Various measures have been implemented to reduce the environmental footprint and enhance resource efficiency. These initiatives range from optimising energy usage to minimising waste generation, all with the goal of preserving the planet for future generations.

A unique 'five-way green' philosophy guides the Company in building a greener world. This philosophy focuses on using low carbon footprint raw materials, manufacturing products designed for reuse and recycling, incorporating 30% renewable resources, achieving zero effluents and emissions, and eliminating by-products.

## Human resources

HIL firmly believes that talent is central to its strategy, as the quality and dynamism of its human resources enable significant contributions to enhancing stakeholder value. Employee engagement, talent development, and retention are key priorities for achieving organisational goals. The Company provides training across functional skills, behavioural dynamics, and leadership areas to foster a culture of continuous improvement. In FY 24, HIL delivered over **15,780** hours of training.

The work culture promotes openness and transparency, emphasising the highest standards of integrity and ethics. HIL remains committed to the welfare of its people and works hard to retain its position as a 'Great Place to Work'.

HIL's flagship employee engagement initiative, JOSH, enhances collaboration through a variety of engaging programs, including festive celebrations, sports events, healthcare activities, and cultural nights with family events.

These initiatives aim to cultivate a vibrant and supportive work environment. All employee rewards and recognition activities have been consolidated under the umbrella program called "Yashotsav" to acknowledge and incentivise employees across locations.

Furthermore, the Company promotes a cohesive workforce through annual themed initiatives, open communication platforms, and cross-functional programs. The integration of real-time employee feedback using artificial intelligence tools reinforces a culture centered on growth, learning, engagement, and transparency.

As of March 31, 2024, HIL India has a permanent employee strength of 1,839 employees, with a global workforce totalling 476 employees.

## Risk management

While pursuing its business objectives, HIL is exposed to various risks. However, the Company has developed organisational agility to anticipate, mitigate, and manage these risks. Several measures have been implemented to assess, identify, and effectively reduce risks that may arise periodically.

HIL has a robust risk management policy approved by the Board. The policy outlines the aims and principles of risk management, as well as an overview of the risk management process, procedures, and associated responsibilities of the Committee members. The Risk Management Committee and the Audit Committee supervise the implementation of the Risk Management Framework. On a half-yearly basis, a formal report on 'Risks that Matter' is reviewed by the Risk Management and Audit Committees of the Board for their review and guidance and subsequently presented to the Board.

Risks	Significance and meaning	Mitigation
<b>Supply Chain Risks</b>	Supply chain disruptions could result in price fluctuation of critical raw materials such as fibre, cement, resin, wood, etc. thereby adversely impacting costs & margins.	HIL has built long-term partnerships with its suppliers, reducing the risk of price fluctuations. The Company has built a global network of suppliers that allows diversification of supply sources and unhindered logistical movement of its inventory.
<b>Macroeconomic Risks</b>	The geopolitical instability and volatility in the global economy, including a distorted supply chain and fluctuation in exchange rates, pose potential risks for the global operations of HIL.	HIL's operations, sales and supply sources are spread across multiple countries and segments, decreasing its reliance on a single country or product. The Company has mapped and developed its extensive vendor base globally to insulate itself from any geopolitical instability.
<b>Financial Risks</b>	HIL is exposed to exchange rate volatility because of its global presence. Currency rate fluctuations could have a detrimental effect on profitability. HIL's international operation and recent acquisition can adversely impact the Company's finances like operating cost, revenue generation and profitability.	HIL enters into forward contracts to hedge foreign exchange risks, thus limiting any negative impact from exchange rate fluctuations. HIL's internal processes are robust to ensure accurate accounting of revenue and costs.  HIL has a well-established integration programme in place to ensure a seamless integration of acquisitions into HIL's operations.



Risks	Significance and meaning	Mitigation
<b>Technology Risks</b>	Failure to adopt cutting-edge technology by HIL will undermine its operational efficiency and customer satisfaction, hindering the Company's growth.	HIL's manufacturing facilities are equipped with advanced infrastructure and technologies that ensure the protection of its IT infrastructure and ensure seamless operations. Over the years there has been significant investment in digitalisation / Industry 4.0 deployment at our plants. HIL's digital infrastructure is poised to counter any external cyber security threats and ensure business continuity.
<b>Quality Risks</b>	Failure to maintain product quality and adhere to relevant quality standards may have a damaging effect on HIL's reputation as well as its financial position.	HIL follows strict quality control processes which ensures that only quality certified products are delivered to customers. HIL is accredited by leading industry bodies for its product quality certification processes.
<b>Environment Risks</b>	Increasing focus towards environmental protection also implies that any failure on behalf of HIL towards protecting the environment can hamper its reputation and growth.	HIL has well-managed environmental management programs to address workplace environment as well as environmental impacts. Processes and equipment to optimise energy consumption, a balanced ecological footprint, zero effluents & emissions, have been put in place and there is an increased focus on green product development.  HIL has a defined ESG road map in place for all its factories and business operations. The road map is in sync with the Vision and Mission of HIL and budgets with respect to ESG are in place and monitored for timely execution. <i>Details are available in Section B of BRSR.</i>
<b>Climate Change Risk</b>	India's extreme weather conditions, especially heavy rain, can risk HIL's operation, specifically the Company's roofing solution.	All factories in HIL have adequate infrastructure to weather climate change risk.  In addition, HIL has developed and established a Business Continuity Plan (BCP) which also encompasses disaster recovery. <i>Details are available in BRSR Principle 2 and Principle 6.</i>
<b>Health and Safety Risks</b>	The workforce contributes extensively to the growth of the Company. Not contributing towards their health and safety can reflect a negative working environment of the Company.	HIL has a well-established EHS framework in place. Processes and equipment to ensure robust safety training and periodical health check-ups of its employees have been established in place. The Company has invested in infrastructure to ensure incident-free working environment and mitigate occupational hazards. <i>Details are available in BRSR, Principle 3.</i>
<b>Human Capital Risk (Talent Management)</b>	Given HIL's market leadership in majority of its products, attrition is a key risk. Competition and other local companies are keen to hire HIL resources.	<ul style="list-style-type: none"> <li>▶ HIL has continuously been awarded GPTW 6<sup>th</sup> Year in a row and is key employer of choice in its segments</li> <li>▶ HIL has not only filled up all key senior leadership positions but also introduced succession planning, leadership training and individual development plan for its employees.</li> <li>▶ Apart from tying up with top ranking educational institutions for scaling up skills of its employees, HIL has also embarked on employee engagement programs and brand building initiatives to curtail attrition and ensure retention of its top performing resources.</li> </ul>

## Internal control systems and their adequacy

HIL has strong internal control systems commensurate with the business requirements, scale of operations and applicable statutes. The Board of Directors and the Audit Committee are independent of the Management and oversee the Company's internal controls' adequacy and effectiveness. Such controls are deployed through policies, SOPs and Internal Financial Control (IFC) risk and control matrices. In addition, cybersecurity and digital IT general control assessment reviews are conducted periodically with the increasing use of digital applications and exposure to an external network.

Additionally, HIL's whistle-blower policy provides a platform for various stakeholders to report and help the organisation in averting and preventing any suspicious activity or behaviour. The whistle-blower mechanism then investigates allegations of violations in a comprehensive manner with a zero-tolerance approach towards any reported cases of ethical breach. The whistle-blower policy offers complete confidentiality and protection to the whistle-blower against any attempted harassment.

HIL has an advanced internal financial controls (IFC) framework where process owner's self-assess critical controls quarterly using the control's self-assessment tool, along with external evaluations by audit partners. Revised practices are updated in the control documents and timely updates to responsibilities in the execution of controls are undertaken.

Ernst & Young (E&Y) is the Internal Audit (IA) partner. With standard risk coverage, all critical business processes are thoroughly examined to understand the operations relevant to HIL's business. The use of tools for data analytics remains an important component of the audit review. Also, HIL has an internal audit department staffed by qualified professionals

who plan, conduct, coordinate and monitor audit activities and follow up on compliance and specific actions identified.

Looking ahead, HIL will continue to leverage data analytics and automation in audit procedures to appropriately scope and deep dive into identified focus areas. HIL will continue to increase stakeholder awareness of governance, risk and compliance through training, workshops and culture-building.

## Cautionary statement

Certain statements in the MDA section concerning future prospects may be forward-looking statements which involve a number of underlying identified/non-identified risks and uncertainties that could cause actual results to differ materially. The results of these assumptions made, relying on available internal and external information, are the basis for determining certain facts and figures stated in the report. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based, are also subject to change accordingly. These forward-looking statements represent only HIL's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. HIL assumes no obligation to revise or update any forward-looking statements, arising due to new information, future events, or otherwise.

For and on behalf of the Board of Directors  
**HIL Limited**

Place: New Delhi  
Date: May 7, 2024

**CK Birla**  
Chairman  
DIN: 00118473