

gender, age, and culture, including opportunities for global mobility. An ex-employee outreach program was also launched to encourage rehiring of high performers who may have left for various reasons. Your Company also launched Diversity 360 to position Diversity & Inclusion (D&I) at the core of its long-term business success. Your Company believes Diversity + Collaboration = Innovation. The organization promises to deliver brilliant employee experiences as a new company, where its extraordinary talents are given the right environment and are empowered to thrive.

To foster the D&I culture in our organization, Hitachi ABB Power Grids in India focused on incorporating D&I as each business unit's accountability by launching SPECTRUM – India's diversity & inclusion forum. SPECTRUM provides a platform for employees' networking and engagement and works with diversity councils to execute D&I initiatives across business units and also measure the effectiveness of all such initiatives.

During the financial year under review, your Company had floated a Voluntary Retirement Scheme for workmen in its Grid Automation unit, Peenya with an objective to achieve overall improvement of the long-term cost visibility of the business and to remain cost effective in an increasingly competitive business environment. Two employees accepted the offer with a cash outflow of ₹ 1.34 crores.

## Finance

Your Company continued its credible performance through relentless execution and business-led collaboration. Your Company generated revenue worth ₹ 3,438.94 crores in 2020 against ₹ 3,236.53 crores in 2019, reflecting stability of operations in difficult economic conditions. Your Company's net profit stood at ₹ 99.80 crores against ₹ 165.4 crores.

Your Company's current ratio was at 1.1 and interest coverage ratio at 9.4, showing strength in its balance sheet and its ability to maximize capital. Your Company's debtor turnover ratio was 2.0, indicating its robust collection processes. However, your Company is also discussing potential repayment mechanisms to clear historical overdues.

Inventory turnover stood at 7.0. Your Company's operating EBITA was 5.7 percent, while net profit margin was at 2.9 percent.

In 2020, the interest cost borne by your Company was ₹ 20.4 crore. As on December 31, 2020, your Company had a net cash balance of ₹ 319.0 crore. In terms of foreign currency exposure – for imports and exports – your Company continued to conservatively hedge at the point of commitment to protect the contract margins.

Details of significant changes (i.e. change of 25 percent or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations thereof:

### Key financial ratios

Ratios	FY 2020	FY 2019
Debtors Turnover	2.0	2.0
Inventory Turnover	7.0	6.7
Interest Coverage Ratio	9.4	10.9
Current Ratio	1.1	1.1
Debt Equity Ratio	NA	NA*
Operating Profit Margin (%)	7.8	10.4
Operating EBITA (%)	5.7	9.0
Net Profit Margin (%)	2.9	5.1
Details of any change in return on net worth as compared to immediate previous financial year along with a detailed explanation thereof	NA	NA**

\*Not applicable as your Company had short-term borrowing only in books

\*\*Not applicable since your Company was incorporated on February 19, 2019, previous year figures are not applicable.

Disclosure of accounting treatment: Your Company followed IND-AS and has detailed its accounting policy in Note 2 of the financial statements.

## Risk and concerns

Risk is inherent in business. Hitachi ABB Power Grids is well-supported by vigorous risk management and governance mechanisms. Our risk management charter and policy provide us an overarching outline in that regard.

Your Company's Risk Management ("RM") policy details the process for identifying, escalating, prioritizing, mitigating and monitoring key risk events and action plans. The assessment of risks covers areas of strategy, technology, finance, operations and systems, legal and regulatory and human resources risks. There are appropriate assurance and monitoring mechanisms in place to monitor the effectiveness of your Company's RM framework, including the mitigation plans identified by management for key risks. Your Company undertake RM exercises to identify and expand its knowledge of potential risks in a changing market and handle them effectively.

Your Company's existing framework provides for risk reviews at various levels based on the organizational structure matrix. Periodic assessment of risks, potential impact relating to business growth, profitability, talent engagement, and market position are conducted. Response to key operational risks, based on inputs received from the internal and external assessment, internal and performance review among others are done on a regular basis.

The aim is to minimize adverse impacts, leverage market opportunities efficiently, and enhance your business competitiveness.