Management Discussion & Analysis

Management Discussion & Analysis (MD&A) covers the Financial, Economic and Industry performance overview, Operational Performance, Risk Management Framework, Internal Control Systems and other developments for the financial year ended March 31, 2023 in respect of AYM Syntex's business. This discussion should be read in concurrence with the Audited Financial Statements of AYM Syntex Limited, and the notes for the financial year ended March 31, 2023.

Cautionary Statement

The statements made in this Management Discussion and Analysis that pertain to the Company's objectives, plans, estimates, and expectations may be considered forward-looking statements under applicable laws and regulations. These statements, which discuss future performance and outcomes, are based on Management's current plans and assumptions using available information. However, these statements are subject to various risks, uncertainties, and potential inaccuracies in assumptions. Such forward-looking statements can be identified by the use of words like 'anticipate,' 'estimate,' 'expects,' 'projects,' 'intends,' 'plans,' 'believes,' 'aims,' 'drive towards' or similar expressions. While we have exercised prudence in our assumptions, we cannot assure that these forward-looking statements will materialise. We undertake no obligation to publicly update any such statement, whether due to new information, future events, or other circumstances.

Economic Overview

Global Economy

The global economy is still reeling from a series of major shocks, including the Covid-19 pandemic and the geopolitical conflict in Ukraine. These events have resulted in a significant expansion of government debt and a substantial hike in policy interest rates by several nations' central banks. While the effects of these shocks are yet to be fully realised, their impact on global growth is palpable. The economic forecast for the world remains modest, with growth expected to remain below its long-term average. The recovery of the Chinese economy, along with strong growth in some emerging markets, is anticipated to drive global growth. However, the contribution from the Eurozone and U.S. economies is expected to be less significant over the next two years.

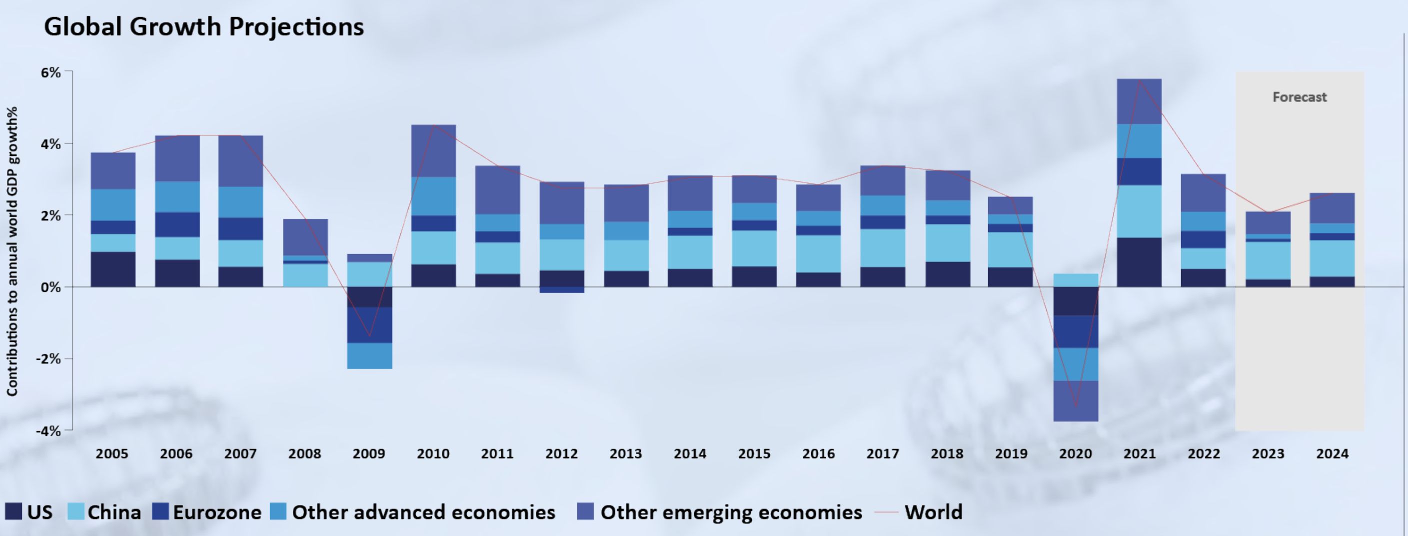
The cost-of-living crisis has been a dominant conversation in various sectors. The impact of this extended period of uncertainty is being felt globally. From rising energy prices to increasing food costs, consumers and businesses are experiencing a significant financial squeeze, affecting global demand.

In the **United States**, a tale of two economies is emerging. Firms that benefited most from the pandemic-induced boom are pulling back, while startups and firms that were late to the recovery are still ramping up. The strong labour market is supporting the economy, but there is an increasing risk of a more prolonged and corrosive bout of inflation.

In **Europe**, consumer confidence has started to improve, although it remains at relatively low levels. The relatively high levels of savings during the pandemic could potentially be deployed once confidence returns, driving a boost in consumer demand.

In **South America**, new policies are being implemented that could potentially stoke inflation. However, the economic outlook is brightening, with cautious optimism about the future.

Despite these challenges, the labour market remains robust. This, combined with relatively strong personal savings among consumers, particularly in Europe and the Americas, could trigger a return to robust consumer spending. This could drive a return to slow but steady growth in key markets.



Source: KPMG Global Economic Outlook H1 2023

Indian Economy

India's economic landscape has shown resilience despite facing global uncertainties. The country's domestic demand is expected to be a key driver of economic growth, buoyed by a strong push in capital expenditure from the government to promote investments and job creation. However, global geopolitical tensions and the slowdown in the global economy continue to pose risks to the outlook.

The effects of the global economic slowdown, driven by high inflation and the ongoing Russia-Ukraine conflict, have also impacted India's economic performance. In Q4 2022, the country recorded muted growth of 4.4%, compared to 6.3% in Q3 2022, with sluggish private consumption and exports being major contributing factors.

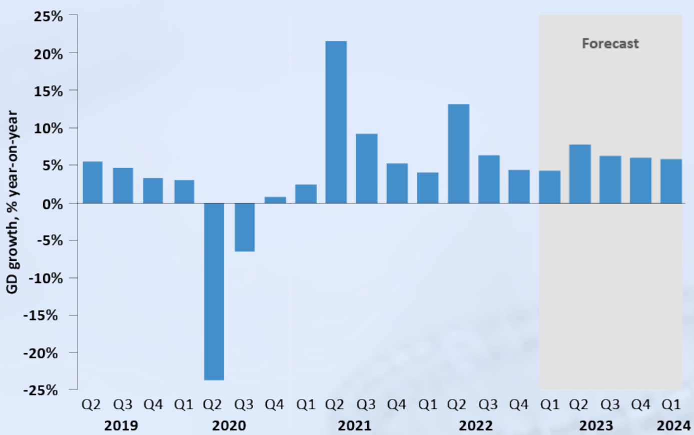
KPMG forecasts for India indicate a GDP growth of 7.0% for the fiscal year 2022-23, a decline from 9.1% in the previous year. However, the country's real GDP growth is projected to be 6.4% in 2023 and 6.9% in 2024. Inflation, unemployment rate, and other key indicators are also estimated to exhibit fluctuations during this period.

Despite the recent slowdown, India is poised to be one of the major growth drivers in 2023, powered by robust domestic demand and increased government expenditure. The Union Budget 2023-24 aims to boost consumption by improving the disposable income of taxpayers, while a significant increase in capital expenditure is expected to drive growth, investments, and job creation. The government's efforts to simplify regulations and foster ease of doing business will further contribute to a conducive environment for investments.

India faces challenges, such as a high unemployment rate and inflation above the Reserve Bank of India's upper tolerance limit. However, the RBI's focus on controlling inflation through policy rate hikes is expected to stabilise the economy. External factors, including the global economic slowdown and monetary tightening in advanced economies, may impact India's growth trajectory.

Overall, India's economy continues to show resilience and potential for growth, backed by strong domestic demand and proactive government initiatives. However, careful monitoring of global developments and effective policy measures will be crucial in navigating uncertainties and sustaining positive economic performance.

India's Quarterly GDP Growth



Source: RBI and National Statistical Office

Strategic Snapshot
Statutory Reports
Financial Statements

Industry Overview

Global Textile Industry

The global textile sector showcased moderate growth between 2022 and 2023, expanding from $573.22 billion to $610.91 billion. This represents a compound annual growth rate (CAGR) of 6.6%.

Unfortunately, the Russia-Ukraine conflict has significantly impacted the global economy's recovery from the COVID-19 pandemic. The ensuing economic sanctions, spike in commodity prices, and supply chain disruptions have induced inflation across various goods and services, negatively impacting markets worldwide.

Despite these challenges, the textile market is projected to grow to $755.38 billion in 2027, exhibiting a CAGR of 5.5%.

The Asia Pacific region emerged as the dominant player in the textiles market, capturing a substantial revenue share of 53.41% by the end of 2022. This growth was primarily fueled by the rising sales volume of clothing and apparel goods, along with the region's increasing population, which is expected to drive further significant expansion. With a promising Compound Annual Growth Rate (CAGR) of 9.7% from 2023 to 2030, the Asia Pacific region is poised for continued success. The presence of a large customer base on e-commerce platforms in developing economies further propels the overall growth of the textiles market. Moreover, increased penetration of organised retail, favourable organised retail, favorable demographics, rising income levels, and supportive government policies are anticipated to drive demand in countries like India, Bangladesh, Pakistan, and others. North America is also poised for fast-paced growth, driven by the surge in industrial manufacturing and an increasing number of product launches in the sports and fashion industries. The textiles market in the U.S. is witnessing heightened demand for industrial manufacturing and home textile sectors, driven by the growing awareness of the utility of technical textiles.

In Europe, favorable government policies and trade agreements, such as free-trade agreements and Euro-Mediterranean Dialogue, have contributed to the region's steady growth in the textiles market. The market volume in Europe was estimated at 53.865.2 million tons in 2022, and it is expected to continue expanding significantly over the forecast period.

Both North America and Central & South America are also expected to witness promising growth, fueled by the increasing popularity of sports and apparel, and home-furnishing textile products. Additionally, the consumption of textile fibers, particularly synthetic and cellulose fibers used for filtration in industrial applications, is likely to positively impact market growth in these regions during the forecast period.

Indian Textile Industry

The Indian textile and synthetic yarn industry has been a significant driving force behind the country's economy, providing employment opportunities for millions of individuals directly and indirectly. Despite the challenges posed by the COVID-19 pandemic, the industry demonstrated remarkable resilience in FY 2022-23, showcasing steady growth supported by robust domestic consumption and increasing export demand. The government's initiatives have also played a pivotal role in bolstering the sector, promoting productivity, and encouraging large-scale manufacturing.

Looking ahead, the Indian textile and synthetic yarn industry holds a promising outlook, with projections of reaching a staggering $300 billion by 2025, exhibiting a compelling Compound Annual Growth Rate (CAGR) of 7-8%. This optimistic forecast is attributed to the surge in domestic demand, burgeoning exports, and the favorable policy landscape set by the government. The synthetic yarn segment is poised for exponential growth, driven by the rising trend of athleisure, increasing demand for sustainable synthetic fibers, and advancements in technology, particularly smart textiles and digital printing.

The Indian government's aggressive push for 'Aatmanirbhar Bharat' aims to further elevate the industry by supporting it with additional reforms and incentives, positioning India as a global manufacturing hub for textiles and synthetic yarn. However, the industry also faces challenges, such as the necessity for modernisation, the impact of high raw material costs, and competition from other Asian countries, especially China. A well-balanced approach that takes these factors into account will be essential for ensuring sustained growth in the sector.

The overall Indian textile industry has experienced some weakening demand globally, attributed to factors like

Nevertheless, India's textile and apparel industry is expected to grow at a CAGR of 7-8%, with some forecasts even slating it at an impressive 10% by 2025-26. The government has proactively introduced various schemes for integrated textile parks, and export promotion policies.

The recent Union Budget for 2023-24 highlighted the government's strong commitment to the textile and apparel sector, with increased outlays for textile-centric schemes like RoDTEP, RoSCTL, and ATUFS. The introduction of the PM Mitra Park Scheme and the Production-Linked Incentive (PLI) Scheme for man-made fibre and technical textiles further emphasise the government's focus on the growth and development of the industry.

Moreover, the government's approval of investments for the creation of seven mega textile parks aims to streamline multiple verticals within the sector, from spinning and weaving to dyeing, printing, and garment manufacturing. These initiatives are expected to position India as a hub for man-made fibers and technical textiles globally. The government's encouragement of 100% FDI in the sector under the automatic route and plans to achieve significant growth in the export of technical textiles further enhances the industry's potential.

The Indian textile and synthetic yarn industry, along with the broader textile and apparel industry, is poised for robust growth and development. Driven by supportive government policies, rising domestic demand, and technological advancements, the sector is well-positioned to thrive in the coming years.

In a dynamic landscape, our industry stands at the cusp of transformation. This sector has demonstrated resilience and adaptability in the face of multifaceted challenges, from economic disruptions to supply chain complexities. As we transition towards a more sustainable future, we encounter a realm of opportunities and threats that shape our trajectory. From favourable government initiatives to retail and e-commerce expansion, our industry's growth is going to be propelled by strategic policies. However, challenges loom, including geopolitical uncertainties impacting global demand and fluctuating raw material costs. It is in this intricate landscape that we seek to navigate, leveraging our industry's inherent strengths while mitigating potential pitfalls.

Opportunities

- Favourable government initiatives (National Technical Textiles Mission, 100% FDI, SAMARTH Scheme) for textile industry development.
- India's 'China plus one' diversification policy.
- Retail sector and E-commerce expansion to boost textile and apparel industry.
- Rising disposable income driving domestic demand.
- Growing popularity of 'fast fashion' products contributing to industry growth.

Threats

- Geopolitical challenges leading to reduced demand.
- Fluctuating raw material costs affecting operations.
- Shortage of skilled workforce impacting order completion.
- Intense global competition, especially from China.

Business Overview

Global economy is going through unprecedented times in last few years - Ukraine-Russia conflict, logistical challenges, unseen levels of increases in commodity prices and decades' high inflation in western economies - have all come on the back of an extended pandemic and resulted in dampened business sentiments across industries worldwide. Textile sector in India has seen weakening demand since Q2 FY 23 due to persistent global inflation and lingering possibilities of recession. Against this backdrop, Company's revenue continued the momentum and were not badly affected which demonstrates the ability of scaled-up, quality-led and highly differentiated players to maintain an edge even during challenging times. For the year, our revenue stood at Rs 1458 Crores as against Rs 1497 crores in previous year. EBITDA achieved was Rs 104 Crores at a margin of 7% of Net revenue.

FY 23 started with a strong note however slowed down as the year progressed. Sales volumes were down because of lower demand in exports sales. Lower volumes & change in product mix has impacted overall sales. Increase in export cost and higher inventory cost have dented EBITDA margins. Price realization started trending down reflecting the softening of raw material prices. This was further worsened by stock losses caused by a sharp fall in raw material prices. However, the business continues to become more robust with each passing year. The strategic business of the company is in right direction. Margins are healthy and the business is profitable once quality, delivery challenges are overcome. Though not reflected in no's, Company has made enormous progress in year gone by while Increase in Raw Material prices, Power cost, demand fluctuations, logistic issues have dented the bottom line margins of the last year.

POY- Textile

The significant fall in the raw material prices coupled with decrease in the local and foreign demand, have adversely impacted the financial performance of the textile division. The outlook for upcoming quarters is likely to be on the same lines. Although, the decrease in raw material prices may hurt the company in short term in the upcoming couple of quarters but it certainly will help the Company in the medium to long term future. The Company is envisaging a promising outlook in the POY and Textile area and is expanding its capacity carefully in the strategic part of the business like technical yarns. Over a period, it is expected to replace some of the old lines with a different product mix, which require high maintenance and are used to produce low margin products. The objective is to use the existing infrastructure to replace the machinery so that the working capital and civil engineering cost are kept in check. The project is expected to be completed over the period of next 2 years. In the Interim period of say a couple of quarters there would be some production losses due to reduction in capacity, however, post that results will be encouraging.

We also managed to expand our sales network internationally, which will create a robust pipeline of new customers over the coming years. The export share

is now expected to further grow in the coming years. We will also continue to invest towards developing new export markets and scaling business profitably.

The company has improved the share of value-added products such as Mono yarns and Silque. Technical Yarn Business has consistently shown better performance and the company plans to invest in the business to reap the benefits and efforts put in by the Company in last couple of years. New investments in the business would be very robust and strategic in nature As company shall concentrate on specialized products only in the technical yarn space.

Floor covering

The floor covering business had seen some slowdown in demand and margins are under pressure due to increase in the Raw Material prices and Freight, however, the robustness of our floor covering business improved further. New customers got added to our portfolio and it further got diversified with additional business coming from alternate segments. New product development played a critical role in the growth and success of floor covering division and lot of innovative products got commercialized during the year.

The capacity expansion planned to cater to local demand got commercialized only in later part of FY 2022-23 after initial teething issues. The division performance has been impacted due to reduced demand in US and European markets however, the order position remained strong, Newer Market and customers in Europe and in America are also being explored. The Company has been expanding its capacity to meet the export demand.

Fundamentally Floor covering division is getting better from single polyester to now multi-polyester business. With this handling of business has become complex and there are newer challenges and initial operational setbacks like quality issues mainly due to the number of new products introduced. However, the focus is on continuous improvements and overcoming the initial teething issues faster.

AYM is well positioned in the market & is looked upon by the customers as a reliable supplier who can deliver quality product at the right price & on time. Leveraging on the relationship built with all the leading carpet companies world-wide all these years, the company is pitching all these innovative patent pending products. These products will differentiate AYM from all the competitors & we believe that these products will form the bulk of the sales going forward.

Package Dyed

Packaged dyed business was stable in FY 2022-23 both in volume and value terms. The Company has tried to offset the increased packing cost, Dyes & Chemical Cost and Coal Cost by passing on the portion of the higher cost to the Customers. There are some operational and people-related issues with high attrition in the first half of the year which was later tackled suitably by building a strong team again, For the last couple of years, overall business performance of Palghar was challenging and the company is working closely to fix it in terms of Business Strategy, Product Mix, Product Positioning etc.

The Company is looking to expand its business in the newer markets both domestic as well as internationally. In India also apart from south, a few states in North of India are explored. Plant has also made good progress in reducing the downgrades and wastages to enable the Company to compete with the competitors. Prices of Raw Material and logistics have gone down helping the business to stabilize.

Considering the global market scenario in terms of high logistic prices, Ukraine – Russia war, high domestic inflation, volatile raw material prices including cotton, Company is extremely cautious in its approach and is critically evaluating each step taken forward in the direction of setting up the new project at Palghar for forward integration in few niche segments. The Company is required to make the PLI Scheme obligated investments in next few years and a new company with the name of AYM textiles has already been incorporated during the year. The Company will proceed ahead with the expansion plan once the industry and global environment become more viable and stable.

India's textile sector growth was disappointing in FY 2022-23 on account of tepid global demand. Even as the slowdown affected our financials during the year under review, the Company embarked on measures to strengthen its business. The Company is using the slowdown as an opportunity to invest in its strategic part of business, and this would yield results in the years to come.

Going ahead, FY 2023-24 may not be able to achieve full potential because of challenges in operational and quality side, however, eventually in the coming years, company will see the efforts of the last many years culminate into a business that will deliver stable and relatively predictable results, less impacted by the vagaries of the market and more as a result of competing from a position of an unfair competitive advantage in our favour. Company needs to continue to remain focused on its medium to long term strategic priorities and growth pillars by laying emphasis on its long-term goal of sustainable growth, profitability, and deleveraging its Balance Sheet. The company might face challenges in the coming one or two quarters on account of slowness in demand impacted by external factors.

Going forward, Inflation is expected to remain elevated for the foreseeable future. In addition, the anticipated increase in interest rates by Central Banks in the coming year are also expected to lower growth and exert pressure on economies particularly those in emerging markets. Despite the headwinds, India is well-poised for steady progress and is increasingly making rapid strides with numerous global names considering our nation as a worthy manufacturing contender as opposed to China. The Company expects to be on a sustainable profitable growth momentum in years to come by building its strength in strategic segments, innovating newer customized products and successfully navigating the cost pressures.

Business Outlook

Global economy is going through tough times in last few years which has resulted in dampened business sentiments across industries worldwide. In today's uncertain and rapidly evolving world, characterized by shifting consumer preferences, industries are compelled to adapt and innovate like never before. As we delve into the business outlook for AYM, it is evident that our commitment to sustainability and responsible practices aligns seamlessly with the values and expectations of today's conscientious consumers. This dynamic landscape presents both challenges and opportunities, and our strategic focus on sustainability positions us to not only thrive in this modern context but to also contribute meaningfully to a more environmentally conscious future. As we reflect on the past year's performance, we look ahead to the future with a strategic vision aimed at navigating challenges and seizing opportunities to ensure a positive business outlook.

Demand in Textiles segment will vary by market. While domestic markets are expected to improve, US volumes may see modest growth or remain flat. Demand from Europe and UK is expected to remain muted. Things will change for better in case India is able to sign any free trade agreement with any of the key geographies. China + 1 strategy can also eventually play to our advantage leading to stronger business relationship with existing customers and presenting multiple opportunities for new markets & customer acquisition. Inflation is expected to remain elevated for the foreseeable future, and in addition, the anticipated increase in interest rates by Central Banks in the coming year are also expected to lower growth and exert pressure on economies particularly those in emerging markets. In these circumstances, the ability to successfully navigate cost pressures would have a significant bearing on the overall performance of your Company.

The Company is very cautiously evaluating the new projects and shall plan its expansion in strategic segments only. Despite near-term uncertainties, we remain optimistic about the medium term and intend to continue investing in our growth engines. As we embark on another year, we remain steadfast in our commitment to improve the margins led by premiumization along with further building operational efficiencies in manufacturing and supply chain. We also continue to focus on expanding our product range through new launches in our core portfolio. In the exports market, our share shall continue to grow the share of value-added products increasing higher than ever before.

With the focus on providing value-based offerings backed by the differentiation strategy and execution capabilities of the experienced professional team, the Company is expected to showcase a sustainable profitable growth in the coming years and to drive transformations through Recover, Reimagine and Rebuild.

HR Overview

A thriving, motivated, and engaged workforce is the foundation of our sustained growth. In our HR overview, we highlight the key areas that reflect our commitment to nurturing our people and fostering a culture of excellence and innovation.

Safety, Health, and Wellness

Safety is a non-negotiable priority at AYM Syntex. We aim for zero harm through occupational safety initiatives, risk plans, and technology, fostering a safety-first culture. We run health programs, check-ups, fitness activities, and mental well-being support programmes. Our comprehensive well-being plan supports families with pensions, scholarships, and medical insurance. We have a zero-tolerance policy against harassment and discrimination, ensuring respect for all employees. We have implemented a robust Policy on Prevention of Sexual Harassment at the Workplace and established an effective complaint and redressal mechanism, guaranteeing safety and privacy for all complainants. Our Vigil Mechanism and Whistleblower Policy further ensure that employees can speak up against any fraudulent activities within the company without fear.

Workforce that Drives AYM

Our core focus is to enhance functional depth, productivity, and stability within our workforce through well-structured programs. We prioritise the development of our employees through our personnel management system, including succession planning, upskilling, and reskilling programs. The journey involves building both functional and leadership capabilities, setting competency standards, conducting comprehensive assessments, and offering holistic learning solutions to address current business challenges. By providing personalised learning paths, we ensure our employees are equipped with the skills and knowledge needed to excel in their careers. We ensure our employees have abundant opportunities for lateral growth, internal mobility, and career advancement.

Development with Engagement

By engaging with our employees through open communication channels, recognising their achievements, and empowering them to take ownership of their tasks, we create a work environment that truly nurtures and develops creativity with a sense of purpose. Our HR initiatives such as HR at the Door, agenda-driven Town Halls, and our robust rewarding mechanism GloryUs 3.0 focus on continuous communication, recognition, and support to keep our employees motivated and committed to their work.

Acquiring and Retaining Top Talent

Our success hinges on the quality and dedication of our workforce. Not only do we hire freshers from premium institutes and lateral hires from other reputable organisations but we also empower our employees to reach their full potential through tailored training programs, mentorship opportunities, and an open culture of knowledge sharing. Our low attrition rate of 3% is a testament to our commitment to providing a workplace where individuals can thrive and grow. In FY 2022-23, we welcomed 258 new personnel to our team, further enriching the diverse tapestry of skills and perspectives within our organisation.

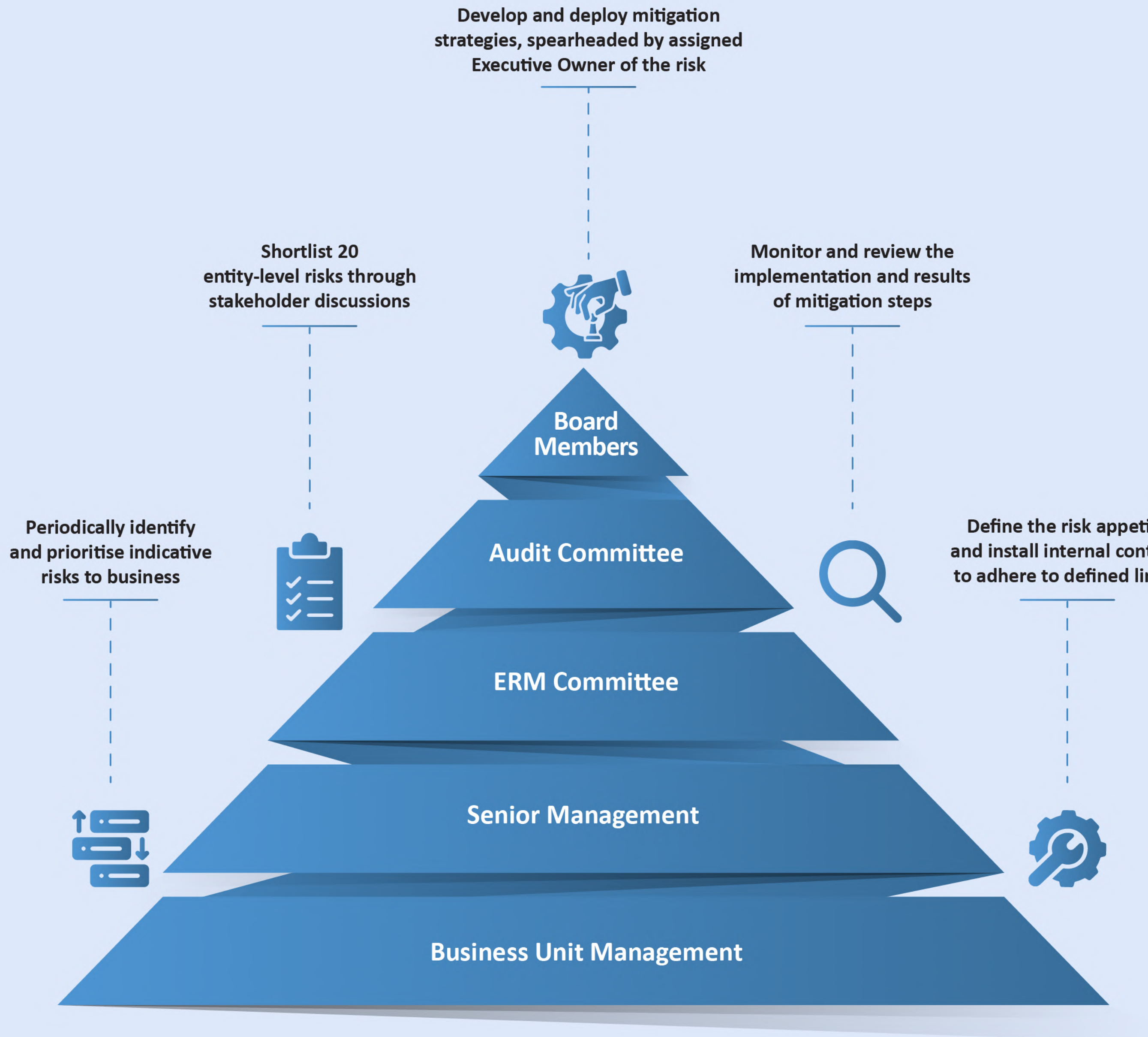
As we continue to expand and innovate, we keep an emphasis on attracting and retaining top talent. By cultivating an atmosphere of collaboration, innovation, and mutual respect, we ensure that AYM remains a preferred employer seeking a dynamic and fulfilling career journey.

Risk Governance and Management

Risk management is a fundamental aspect of our business strategy. We approach risk management with a comprehensive view, encompassing strategic, operational, compliance, financial, and catastrophic risks, thus enabling informed decision-making across all levels of the organisation. Our structured and uniform Enterprise Risk Management (ERM) Framework plays a pivotal role in fostering business resilience, especially in navigating today's volatile and uncertain business climate.

ERM Framework

Under our ERM Framework, we have laid down a comprehensive Risk Management Policy, defining the process for identifying, assessing, mitigating, monitoring, and reporting risks. We diligently consider primary, secondary, consequential, and residual risks in making strategic decisions, with resource allocation guided by a qualitative and quantitative risk impact assessment. This approach empowers us to navigate the dynamic and evolving business environment, fostering resilience and success for our organisation and all stakeholders involved.



Key Highlights of Enterprise Risks identified for FY 2022-23 with Mitigation Strategies

Operational Risks

Risk Type & Description	Mitigation & Strategies
Commodity price risk Unexpected changes in commodity prices and supply could impact business margins and ability to service demand. The past few years have witnessed wide fluctuations in input prices. As a result, the overall uncertainty in the environment continues to be high. Increase/frequent changes in raw material prices may impact profitability resulting in lower margins.	• The Company has defined norms for building strategic inventory positions as a hedge against price volatility • Diversifying sourcing and closely collaborating with suppliers. Negotiating long-term contracts, wherever necessary. • Material cost reduction through Value Analysis and Value • Engineering (VAVE) is underway.
IT systems and security Loss of sensitive information due to unauthorised access or cyber attach leading to data privacy breach, loss of records, or other event due to a hack/ virus, stolen/lost device, phishing attacks, among others. Delay in adoption of latest technologies and information systems in business resulting in inefficiency, operational dependencies, integration issues between multiple legacy systems.	• Identification of business critical IT systems and having a disaster recovery plan in place. • Performing periodic internal assessments for the controls implemented to ensure continuity of operations. • Use of standardised back-up tools, services and procedures to ensure that information and data are stored at two or more diverse locations.
Talent acquisition and retention Non-availability of competent workforce, failing to attract, retain, engage and develop a diverse workforce with critical skills and capabilities, high attrition coupled with retention challenges, lack of succession process for key roles can be a huge risk to business.	• Initiated measures including rolling out strategic talent management system, training and integration of learning and development activities • Succession planning process for critical roles initiated • Bench strength created to ensure availability of resources. • Instituting development plans to upskill and reskill employees for future roles and bringing in flexible talent to access new skills.
Manufacturing excellence, quality consistency and cost competitiveness Inadequate quality systems & processes and lack of safety practices at plant leading to poor quality of products. This may lead to loss of business and repuration in the market, poor quallity will also result into increase in customer complaints.	• Quality Control System has been developed and any deviation in the same is being analyzed. • Frequent interaction are done with customers and their feedbacks are noted and implemented; Systems are aligned as per the requirements of Customers. • Adopting initiatives such as business process re-engineering and focusing on improving plant throughput while tightening qlty controls processes

Regulatory Risks

Risk Type & Description	Mitigation & Strategies
Regulatory and Compliance Risk Changes in International and Domestic laws, rules, policies, tax regulations, technical standards and trade policies	• Mitigating risks through regular review of legal compliances as well as external compliance audits. • In the process of implementing an enterprise-wide compliance management system, capable of effectively tracking and managing regulatory and compliance requirements.

Strategic Risks

Risk Type & Description	Mitigation & Strategies
Competiton Risk With the increasing number of competitors accross marketplaces, aggressive pricing by competitors, maintaining market shares and pricing power is critical to sustained growth. Competitors may also take away customers and talent leading to the loss of buisness.	• New customized products are developed basis customer requirements to have an edge over competition • Diversification in product offerings and ensuring availability, thereby leading to wider presence and reach • Building agile marketing response mechanisms to counter competitive moves
Changing consumer preferences Consumer tastes, preferences and behaviours have been evolving over the years, due to various factors, such as, demographic changes, technological advancements.	• Investing in consumer in-sighting to adapt to changing consumer preferences. • Shape a brand communication to effectively reach the consumer and convey its proposition and purpose. • Frequent consumer awareness campaigns and outreach initiatives to demonstrate the value of products.
Underperformance of new product launches Given that the success rate for new product launches is typically low, new products may not gain traction among consumers or may fail to scale up as planned.	• The company constantly innovates and diversify its portfolio to stay ahead of its competition. • To Invest in a new product development process with a funnel approach to ensure continuous flow of new ideas, coupled with rigorous governance around scalable ideas. • Prototyping approach to new product introductions for accelerated learning and adjustment.

Financial Risks

Risk Type & Description	Mitigation & Strategies
Volatility in interest rates Textile industry being capital intensive, Changes in the interest regime and in the terms of borrowing could impact the financial performance of the Company by putting pressure on margins	• Maintain a liquidity chest for immediate working capital requirements. • Managing interest rate risk through strategies including maintaining an optimal mix of different loan types and maturities.
Foreign currency exposure The Company is exposed to a wide variety of currencies. Fluctuations in currencies could impact the Company's financial performance. The risk of currency depreciation is accentuated during the period of high inflation in the global economy.	• Managing our foreign exchange risk actively within the framework laid down by the Company's forex policy • approved by the Board Transaction risks continues to be unhedged as we have both imports and exports and hence a natural hedge.

Internal Control System

Our Company has a set of policies, procedures and practices designed to safeguard its assets, ensure accuracy and reliability of financial information, and to promote operational efficiency. It helps to prevent fraud, detect errors, and ensure compliance with laws and regulations. This sets the tone for the organisation, emphasising the importance of integrity, ethical values, and accountability. By identifying and analysing potential risks, it helps to focus control efforts on critical areas and prioritise resources effectively. An internal control system is a vital component of an organisation's governance structure, designed to ensure the reliability of financial reporting and the effectiveness of operations. Therefore, Independent Internal Auditors regularly test these internal controls to assess their adequacy and reliability. The Audit Committee of our Company has appointed M/s Suresh Surana & Associates LLP as our Internal Auditors. These key focus areas by the internal auditors are Financial Reporting Controls, Segregation of Duties, Access Control, Monitoring & Review, Compliance Controls and Documentation & Record Keeping.

By testing these internal controls regularly, auditors provide assurance to stakeholders, management, and the board of directors that the organisation's systems are functioning as intended, thereby enhancing the reliability of the financial statements and the overall business operations. All possible measures are taken by the Audit Committee to ensure the objectivity of the Internal Audit process and independence of the Internal Auditor, including quarterly one-on-one discussions. The Audit Committee reviews the adequacy of design and the effectiveness of the internal control systems, takes note of significant audit observations and monitors the sustainability of remedial measures. The internal audit programme is reviewed by the Audit Committee at the beginning of the year to ensure that the coverage of the areas is adequate. Reports of the internal auditors are regularly reviewed by the management and corrective action is initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports and actions taken on audit findings are presented to the Audit Committee of the Board. The company also has a management audit team which is responsible for monitoring the implementation of action points arising out of internal audits. All audit observations and follow up actions thereon are tracked for resolution by the Internal Auditors and reported to

the Audit Committee. The statutory auditors, as part of their audit process, also carry out a systems and process audit to ensure that the ERP and other IT systems used for transaction processing have adequate internal controls embedded to ensure preventive and detective controls.

The Company also has a system of Internal Control over Financial reporting (IFC) ensuring the accuracy of the accounting system and the related financial reporting. IFC means the policies and procedures adopted by a company for ensuring accuracy and completeness of accounting records; orderly and efficient conduct of business, including adherence to policies; safeguarding of its assets; prevention and detection of frauds and timely preparation of reliable financial information. The management assesses the appropriateness and effectiveness of these financial controls and are also validated by Internal Auditors as well as Statutory Auditors.

For the year ended March 31, 2023, the Board is of the opinion that the Company has adequate IFC commensurate with the nature of its business operations, wherein controls are in place and operating effectively and no material weakness exists. The Statutory Auditors have also issued an audit report expressing satisfaction on the adequacy and effectiveness of the internal financial control systems over financial reporting. During the year under review, there were no risks which in the opinion of the Board threaten the existence of the Company.

In the company's ongoing commitment to improving internal controls, it continues to embrace technology and embark on an automation journey. By leveraging cutting-edge technological solutions, the company aims to enhance the efficiency, accuracy, and effectiveness of its internal control system. The company is actively automating repetitive and routine processes within its internal control framework. By doing so, it reduces the potential for human error and ensures consistency in control execution. Technology-enabled workflows are being implemented to streamline the flow of information and approvals across various departments. This not only expedites decision-making but also enhances the segregation of duties. The automation journey is a continuous process, and the company is committed to regular assessments and updates to optimise the effectiveness of the internal control system continually.

Financial Performance Overview

In the economic landscape of 2022–23, countries worldwide experienced headwinds in the form of escalation in geopolitical tensions causing economic uncertainty, including surging energy and food prices, mounting inflation rates, and volatile markets. Organisations faced operational hurdles, such as soaring commodity prices, logistics disruptions, and the impact of the Ukraine-Russia conflict, coupled with rising interest rates. Our company has also faced challenging operating environment during FY 2022-23, both in domestic and international markets.

The year was marked with turbulence on account of uncertainty due to war, historically high and persistent global inflation and volatile movements in raw material prices and transaction currencies. The revenue from operations stood at Rs. 1457.8 Cr as against Rs. 1491.4 Cr in the year before, in line with the fall in sales volume. Operating margin was maintained in the range of 7-8% through the quarters.

Exports market especially in the developed countries like USA, Europe, Canada were weak in the year FY 2022-23, however, the company share of revenue in exports increased further both in value and volume terms in the said year. Freight cost was elevated remained elevated in first quarter of the year, however, from 2nd quarter onwards it started tapering down and by year end it regained normalcy levels of pre-covid and in few regions even lower that the earlier levels.

While the costs remained largely under control, the dent in margins was more on account of product mix and slowness in the demand coupled with volatile raw material prices. Lot of new innovative products are also being tried at the same time and that is causing a strain on our P&L in the form of higher sampling and R&D costs for the time being but it will open the doors for us in strategic segments which for long term would create an edge for AYM.

Highlights for the year ended March 31, 2023:

₹ Crores

Particulars	Year ending March 31			
	2023		2022	
	₹ Crores	% of Revenue	₹ Crores	% of Revenue
Sales Volume (MT)	61,182		63,031	
Net revenue from operations	**1,457.8**		**1,491.4**	
Expenditure				
Cost of Materials	872.0	59.8%	854.0	57.3%
Employee Cost	65.5	4.5%	64.6	4.3%
EBITDA Margins	**103.1**	**7.1%**	**166.1**	**11.1%**
Finance Charges	36.0	2.5%	35.9	2.4%
Depreciation	56.5	3.9%	50.6	3.4%
Tax	3.5	0.2%	28.8	1.9%
Profit after Tax	**7.2**	**0.5%**	**50.8**	**3.4%**
Other Comprehensive Income	0.7	0.1%	0.1	0.0%
Total Comprehensive Income	**7.9**	**0.5%**	**50.9**	**3.4%**
Earnings per share (EPS) - Rs	1.4		10.1	

Revenue

Net revenue from operations stood at Rs 1457.8 Cr, recording 2.3% decline as compared to the previous year. In terms of volume, sales are lower by about 2.9% over the previous year. The year witnessed drop in quarterly sales on account of emerging weaker sectorial trend in second half of the year.

Exports during the FY 2022-23 were of Rs. 677.20 Crores as compared to Rs. 661.58 Crores during the previous year. The gains in export sales are in line with the Company strategy and its share in total revenue has increased from 45.4% in FY 22 to all time high of 47.5% in FY 23 due to increased footprint in South America and Asia.

Cost of Material

The cost of materials comprises consumption of raw material, packing material, dyes & chemicals, changes in inventories of finished goods, work-in-process. The cost of materials is at 59.8% of Revenue, which has increased by 2.5% from 57.3% in previous year. The reasons include falling trend of raw material prices, strengthening of principal currency of imports and post covid inflation resulting in increase in cost of indigenously sourced materials. With increase in production and change in mix, cost of materials is expected to come down.

Employee Cost

Employee cost includes salaries, wages, annual performance incentives, statutory bonus and gratuity, contribution to provident and other funds and staff welfare schemes expenses (except actuarial gain / (loss) on defined benefit plans). It also excludes labour engaged on contractual basis. During the year under review, employee cost stood at Rs. 65.5 Cr. Lower revenue meant a slight increase of the cost at 4.5% of revenues compared to 4.3% in previous year. The same is in line with the increase in head counts and compensation.

It is in accordance with the company's continuous efforts to put in place, the adequate team structures to fuel the future growth. With resource optimization in mind, it had worked upon restructuring the roles to ensure focused approach towards key goals.

Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) Margins

EBITDA in FY 2022-23 was reported at Rs 103.1 Cr. The margin reduced to 7.1% of revenue compared to previous year margin of 11.1%. Lower EBITDA is on account of lower margin over raw material cost, lower realisation following raw material prices, increase in cost of consumables and higher power cost.

Finance Cost

Finance charges include interest on borrowings and financial charges. The finance charges in FY 23 has seen insignificant change from Rs.35.94 cr to Rs.35.99 cr in the year. There is slightly higher usage of working capital facilities, and the Company has availed new loan facilities (including Inter Corporate Deposit). Company is able to reduce the cost of debt as compared to last year, despite rising interest rate scenario and addition of new loan for capex and working capital requirements by introducing new bankers in its portfolio. Further tightening of monetary policy by RBI may continue to impact the finance charges in coming year.

Depreciation

Depreciation has increased from Rs 50.6 Cr in FY 22 to Rs 56.5 Cr in the current year. The increase is on account of on-going modernization and expansion projects going on stream. Depreciation is expected to remain around the similar level with only moderate and routine capex in the coming year.

Tax Expense

During FY 23, the company incurred normal tax after utilising all unabsorbed losses. The company has paid taxes after utilising the MAT credit to the extent available. The company expects to utilise its MAT credit available and does not foresee the situation of it getting expired without being utilised in the coming years.

Profit after Tax

Profit after Tax has recorded year on year decline of 85.9%. The profits after tax stood at Rs 7.2 Cr in FY 2022-23 as compared to Rs 50.8 Cr in FY 2021-22.

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Total Debt

Debt figure includes all the long-term and short-term borrowings but excludes lease liability. Gross Debt* as on March 31, 2023, stands at Rs 268 Cr as against Rs 273 Cr at the end of FY 2021-22. Cash and cash equivalents of the Company in FY23 stood at Rs 22.2 Cr as compared to Rs 20.7 Cr in the FY22, Net Debt as on March 31, 2023, stands at Rs 245.8 Cr after reducing the cash and bank balance and liquid investment versus Rs 252.5 Cr at the end of FY22. The debt has reduced on reduction of short-term borrowings.

Net Debt to EBITDA ratio for the current year stands at 2.4 as compared to 1.5 in the previous year on account of lower EBITDA.

Fixed Assets

Fixed assets (tangible and intangible) including Capital work-in-progress stands at Rs. 471.5 Cr at end of FY23 as compared to Rs 457.3 Cr at the end of previous year. This increase has been on account of capex on additional facilities.

Key Ratios

Key capital efficiency & profitability ratios have been highlighted which provides a snapshot of the health of Balance sheet. With relatively weaker performance in FY 23, the ratios deteriorated over the last year.

Key Ratios	FY 2023	FY 2022
Return on Capital Employed *(RoCE)*	6.8%	17.3%
Debt: Equity	0.64	0.67
Net Debt: EBITDA	2.38	1.52
Debt Service Coverage Ratio	1.07	2.12
Interest Coverage Ratio	1.33	3.22
Current Ratio *(Ex Current portion of Long Term Debt)*	1.47	1.38
Working Capital *(no. of days)*	19	18
Debtors Turnover *(no. of days)*	28	28
Inventory Turnover *(no. of days)*	81	68

**Gross debt does not include lease liability*

Outlook

Stepping into 2023, it is likely that surging inflation, energy insecurity, and softening commodity prices will continue to challenge our industry. In the near term, the company's operations might be temporarily impacted due to slow demand in exports and domestic market which could impact revenue growth. The immediate outlook remains cautiously optimistic as macroeconomic headwinds persist. However, with the transient effects of pandemic behind and expected stability in geo-political environment, ease of inflation in the developed export market going forward and stable raw material prices, the demand is expected to rise in medium term.

The company is largely focused on improving quality and sustainability of business with improved product mix with new product developments, expansion of strategic areas like floor covering and technical yarn as well as various cost reduction initiatives. We are preparing ourselves to navigate through a challenging operational environment and create sustainable value for all stakeholders through emphasis on a customer-focused and value driven approach. Our future growth and value creation will be driven by our differentiation strategy based on innovation, customer centricity, sustainability and focus on the exports market. Our differentiated business model will eventually enable sustained revenue growth despite pricing pressures, economic uncertainties globally and regulatory concerns that could further impact the industry.