



GEARING FOR FUTURE



HIM TEKNOFORGE LTD.

50TH
ANNUAL REPORT
2020-21



WHAT'S INSIDE

Our Story	02
Performance in Pictures	03
Corporate Snapshot	04-07
Executive Message	08-09
Our Leadership Team	10-11
Through the Eyes of Our Stakeholders	12-13
Our Product Portfolio	14
Corporate Social Responsibility Initiatives	15
Corporate Information	16
Notice	17
Board's Report	28
Annexures to Board's Report	33
Auditors' Report	63
Financial Statements	70



Forward-Looking Message

Some of the statements made in this document are forward-looking statements and are based on the current beliefs, assumptions, expectations, estimates, objectives and projections of the Company about its business and the industry and markets in which it operates. These statements are not guarantee of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Company and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecast in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, changes in the regulatory environment and other business and operational risks. The Company does not undertake to update these forward-looking statements to reflect events or circumstances that may arise after publication.



“AS LONG AS YOU WEAR STRONG SHOES, YOU CAN EXPLORE THE ROAD AHEAD WITH COMFORT.”

The pandemic has ushered in uncertain times, as economies recover from its debilitating economic impact and the toll on health and lives.

While Governments, enterprises and individuals are doing their best to adapt to the new normal, such times remind us that the best we can do is to build up our intrinsic strength and immunity to external factors that could impact us adversely.

Long before the crisis, the Company has been gearing for the future by strengthening its manufacturing bases, adopting state-of-the-art technology, building robust systems and processes, expanding and diversifying markets, constantly upgrading its people talent, exploring innovative ideas for progress and staying strategically agile.

The Company is very strongly vertically integrated, with all its facilities in-house to manufacture forgings as well as finished components. In addition, the Company has a fully equipped tool room for forging as well as machining facilities.

In 2020, we upgraded the manufacturing capability by entering the warm forging space and developed the complete spider kit through the warm forging route. The Company is one of the few in the country to have this technology.

The Company has six manufacturing facilities spread across the country. Three facilities are located in North India, two are located in Central India and one, which is a 100% export-oriented unit, is located in Western India. This gives us a locational advantage as we can cater to customers from all over the country by being in close proximity to them.

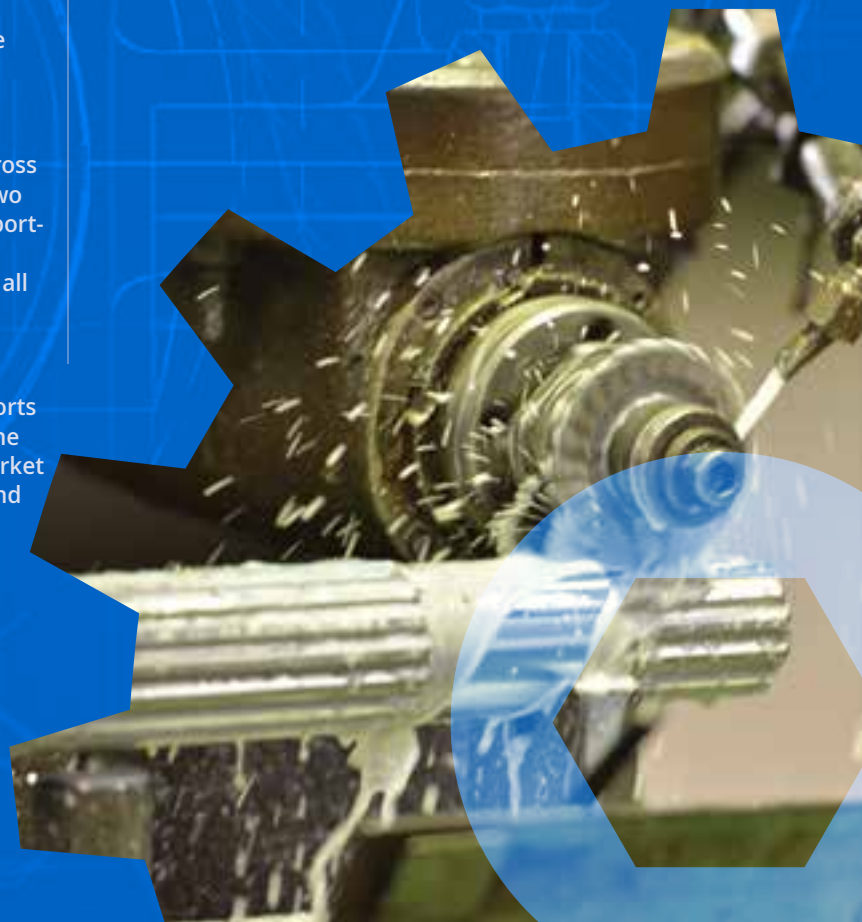
The Company has a strong presence in multiple sectors, namely – agriculture, commercial vehicles, defence, exports and the replacement market. This helps us to mitigate the risks of one sector underperforming. The Company's market is diverse enough to not get affected too much by ups and downs in some segments.

The Company has nurtured well-trained and highly experienced manpower over the years. All our general managers have been with us for over 20 years; they are all engineers and experts in their domains and are well-supported by qualified technical staff at various levels.

The Company has also been selling e-rickshaws and e-loaders in the Indian market for the past 2-3 years. There is a strong push from the Government to transform all two-wheelers and three-wheelers into e-vehicles by 2030. This gives us an opportunity to expand our presence further in the market.

We are one of the few enterprises in the country to be approved by the Indian Defence for supplying track chain assembly for armoured core vehicle.

All these measures have enabled us to deliver sterling results despite the unprecedented crisis during the year gone by. These are only some of the initiatives that we have put in place as a continuous, ongoing process to keep ourselves intrinsically strong and geared for the future.



50 YEARS

>>

OF COMMITMENT

TO QUALITY AND CUSTOMER SATISFACTION

IT'S BEEN A LONG AND TRYING JOURNEY FOR THE PROMOTERS OF HIM TEKNOFORGE, WITH LESSONS THAT HAVE FORGED THEM INTO THE STRONG AND SEASONED ENTERPRISE LEADERS THAT THEY ARE TODAY.

It all began in the early 1970s, when Vijay Aggarwal completed his Mechanical Engineering from the Regional Engineering College, Warangal. After working for a few years at a company in Chandigarh, his entrepreneurial spirit was awakened at an entrepreneurial course that he attended. By the mid-1970s he had set up a chemical unit in Himachal Pradesh with capital he borrowed from his father and a small loan from Himachal Pradesh Financial Corporation. The raw material for the chemical unit was 'mentha', more popularly known as 'pudina' in Hindi and Punjabi. Putting his heart and soul into the business, he went about encouraging farmers in the region to cultivate mentha crops, which could be used in his venture, in the hope of developing a strong backward link and spreading the benefits of growth and prosperity from the business to communities around. Despite putting in his best efforts, as destiny would have it, the Government sanctioned the setting up of a thermal power plant in the area. This led to the acquisition of huge acreage, which in turn affected the cultivation and supply of mentha. Consequently, due to this and other looming risks, this first venture had to be closed down.

In 1981, Eicher Ltd. advertised for ancillary units and Vijay Aggarwal was quick to respond. After the mandatory background checks and verifications, he was on-boarded and set-up a new unit under the name of HIM Teknoforge Ltd.

As time went by, the tractor industry saw some difficult times. In a downward spiral, subsidiary units saw their business dwindling and with that, their capital getting wiped out. To make matters worse, banks became cautious, reducing the limits for these units, pushing them deeper into difficulties.

With support from his family, Vijay Aggarwal steered HIM Teknoforge through these dark times, to emerge as one of the few units that survived. Like its counterparts, it was in no position to repay the capital but Vijay Aggarwal ensured that the interest payments were forthcoming, showing the banks that he had clear intentions to repay the loan. This made the Company stand out and it earned the goodwill of the banking community.

Around this time, Rajiv Aggarwal completed his Chartered Accountancy, with meritorious record, and set up a successful practice. He always helped the Company with taxation, legal and financial issues from the sidelines but by 1992, the entrepreneur in him drove him to commit to joining the business full time and he formally took on the role of Director.

The same year, the brothers acquired a defaulting sick unit from the State Bank of Patiala (SBOP), which was in the business of steel shots and castings. In less than two years, they turned it around and began to manufacture fencing and scaffoldings for exports to the US and the Middle East.

In the 1990s, the economy was opening up as the winds of liberalisation swept across the country. These were golden years for business and enterprise and the Aggarwal brothers set up a plant at Pithampur, Indore and were doing well. As they envisaged tapping the equity market with an IPO, the world of stocks went into a tailspin on the back of colossal scams. A recession set in post that and lasted for many years. With its leading clients being unable to make payments, however, it kept itself afloat until 2007, despite many hard ships compounded by stiff competition.

During these dark times, the promoters ensured that their employees never had to bear the brunt of the business exigencies. To pay salaries on time and clear statutory dues as scheduled, the brothers sometimes had to liquidate immovable property. They implemented cost-cutting measures wherever possible and ensured that their debts were paid and the balance sheet stayed healthy. They valiantly and tirelessly fought legal battles to recover the funds that were owed to the Company and after some years, they emerged victorious.

During these trying times, they had the support of their bankers of 25 years. Taking great risks, they sanctioned loans on the character and integrity of the promoters. Their gamble paid off and the brothers were able to turn the Company around through sheer grit, dedication and hard work.

In 2009, a new era began for the Company as HIM Teknoforge acquired a transmission gear company Allied Asia Gears Ltd. Later, in 2013, HIM Teknoforge acquired Gujarat Automotive Gears Ltd., a listed company, and reversed merged into GAGL in 2016, consequently becoming a listed entity. The Company went from strength to strength under the leadership of the Aggarwals to become a leading manufacturer in the domestic and export market by offering a wide range of quality forgings and machined components for leading OEMs, Indian Railways, Defence sector and the aftermarket too. It diversified into the sunrise sector of battery-operated three-wheelers.

As their quest for growth and innovation-led progress continues, the journey of 50 years is a significant milestone that provides an unshakeable foundation for the future of the Company.

The promoters are gearing for the future on the strength of their innate entrepreneurship, learnings from experiences over the years, their never-say-die spirit and the support and goodwill of their stakeholders and well-wishers.

PERFORMANCE IN PICTURES

TOTAL INCOME

(₹ in Crores)

2020-21	241.40
2019-20	227.53
2018-19	327.95
2017-18	277.20
2016-17	252.47

EBITA

(₹ in Crores)

2020-21	30.48
2019-20	28.81
2018-19	45.39
2017-18	32.77
2016-17	31.91

PROFIT BEFORE TAX

(₹ in Crores)

2020-21	7.16
2019-20	4.62
2018-19	20.93
2017-18	10.92
2016-17	10.21

PROFIT AFTER TAX

(₹ in Crores)

2020-21	5.13
2019-20	3.24
2018-19	18.30
2017-18	10.51
2016-17	7.51

EARNINGS PER SHARE

(₹ Per Share)

2020-21	6.53
2019-20	4.13
2018-19	23.27
2017-18	13.37
2016-17	9.1

NET WORTH

(₹ in Crores)

2020-21	154.08
2019-20	148.89
2018-19	146.74
2017-18	134.59
2016-17	124.03

CORPORATE SNAPSHOT



WHO ARE WE?

HIM TEKNOFORGE LTD. (HTL) WAS ESTABLISHED IN 1981 AND IS TODAY AMONG THE LEADING AUTO COMPONENT MANUFACTURERS IN THE COUNTRY. SINCE ITS INCEPTION, IT HAS EARNED A REPUTATION INTERNATIONALLY FOR ITS WORLD-CLASS TECHNOLOGY, ESTABLISHED QUALITY PROCESSES AND OVERALL ENGINEERING CAPABILITIES. PLAYING A SIGNIFICANT ROLE IN THE TRACTOR, AUTOMOTIVE AND ENGINEERING INDUSTRY. THIS PROFESSIONALLY RUN, IATF 16949 ACCREDITED COMPANY IS A TIER 1 SUPPLIER TO INDIA'S TOP OEM'S IN COMMERCIAL VEHICLES, DEFENCE, AGRI-MACHINERY SEGMENTS, AFTERMARKET AND EXPORTS.

3,50,000

FINISHED COMPONENTS PER MONTH

It was founded by its current Chairman & Managing Director, Mr. Vijay Aggarwal, who is a true technocrat. Through his vision, dedication and leadership, he has created a brand which is well recognised in the automotive segment in India. Mr. Rajiv Aggarwal, a Chartered Accountant by profession, joined the Company in 1992 to help the CMD to strengthen the finance, legal and strategy departments of the Company and is now the Joint Managing Director of the Company. Under their able teamwork and leadership, the Company has overcome many obstacles and grown over the years to a manufacturing capacity of around 3,000 MT of Forgings and over 3,50,000 finished components per month.

Over the years, the Company has grown by leaps and bounds and has been manufacturing finished gears since 1995. In 2013, the Company acquired a BSE listed company and got listed on BSE in 2016 through reverse merger.



CORE VALUES

- Customer Satisfaction
- Quality Consciousness
- Integrated Growth, Keeping in Mind all Stakeholders
- Teamwork and an Environment Promoting Regular Brainstorming Generating New Ideas to Meet Customer Demands



OUR VISION

We, at HIM Teknoforge Ltd., strongly believe that our future lies ahead with our astute customers, vendors and partners. By gaining a thorough understanding of their needs, the Company envisions becoming a global player. Our desire and commitment to pursue excellence will continue to be backed by strong teamwork, ethical business practices and an environment that promotes innovative solutions.



OUR MISSION

- Total Customer Satisfaction through good quality, cost-effective solutions and timely delivery
- To Achieve Continuous Growth by adding true value to the business of every customer across the globe
- To Deliver the Best and display continual improvement through value engineering activities and technology upgradation
- To Maintain our Focus on CSR initiatives so as to do our part towards the betterment of society



OUR CORE COMPETENCIES

- Cost Competitiveness
- Excellence in Quality
- On-time Deliveries
- Relationship-building through Customer Delight

In our line of business, the greatest customer expectations relate to CQD – Cost, Quality, Delivery. Every OEM seeks components of the highest quality, at the most competitive cost and ensured on-time delivery. Being a vertically integrated company, wherein we manufacture forgings as well as machined components, we have control over all these three essential elements.

All our facilities from heat treatment to painting and electroplating, powder-coating and hot-dip galvanising, are in-house. This enables us to mitigate risks associated with meeting the urgent requirements of all our customers.

We have a fully equipped toolroom set up in both our forging facilities along with a CMM/Standard room in all our manufacturing facilities with state-of-the-art equipment. This gives us an edge and sets us apart from our competitors.

Cell manufacturing, KAIZEN, 5S and other lean manufacturing techniques have already been deployed at our facilities to enhance our efficiencies and meet the quality and delivery expectations of our customers. Further, as we have been in this industry for five decades now, over the years, we have built up strong inter-personal relationships with all our customers.

In FY 2020, we upgraded our manufacturing capability by entering the Warm Forging space. This is a technology that not many companies in the country have and can deliver considerable cost advantages in production.



CORPORATE SNAPSHOT

OUR JOURNEY

1981

>> Company was set up as HIM Forging India Pvt. Ltd. This Forging unit in Baddi was started by Mr. Vijay Aggarwal (technocrat) as an Ancillary to Eicher Tractors, Parwanoo

1989-94

>> "Best Supplier" Award from Eicher Tractors

1996

>> Gear Manufacturing Plant set up in Baddi, Himachal Pradesh India

1999

>> Certified for ISO 9001:2000

2001-08

>> Undertaken Technology Upgradation by installing in CNC Turning Centres, CNC Hobbing & VMC's

2008

>> Further Technology Upgradation by installing state-of-the-art Sealed Quench Furnace & VMC's for die making

2008-09

>> Got selected as the Preferred Supplier to Ashok Leyland

2009

>> Acquired Gear Manufacturing Facility at Pithampur, Madhya Pradesh

2010

>> Set up new Forging plant at Manpura, Himachal Pradesh. Induction Billet Heaters installed, Ring Rolling, and Pneumatic Hammers installed

2020

>> Company entered into Warm Forging Space by installing CNC Screw Presses of 1,600 Tonne and 1,000 Tonne, 3D Scanning Machine and Precision Die Making Machine

2019

>> Company achieved highest turnover in its history touching approx. ₹ 325 Crores

2018

>> HIM Teknoforge Ltd. got listed on BSE, through reverse merger into Gujarat Automotive Gears Ltd w.e.f. 2016

- Set-up a new state-of-the-art Machining Plant in Gujarat, catering to exports

2016

>> Canbank Venture Capital Fund invested a sum of \$ 4.5 Million for a substantial stake, to help the Company upgrade its plant and machinery

2013

>> Acquired Gujarat Automotive Gears Ltd. (a listed company) in Baroda, Gujarat. A leading manufacturer and exporter of Truck Parts like kingpins, braking, steering, suspension and transmission components for European & North-American Market

2012

>> Further investment into CNC Turning Centres, CNC Hobbing Machines, CNC Grinding Machine got "Best Supplier" award from Mahindra Swaraj

2011

>> CNC Induction Hardening Machines, 1 Sealed Quench Furnace, CNC Hobbing Machines installed

- TS 16949: 2009 Certification
- IFCI Venture Capital Fund invests ₹ 15 Crores in the Company to help the Company upgrade its machining and heat treatment facilities

CLIENTELE



GEOGRAPHICAL PRESENCE

We have a strong footprint in the export as well as the domestic market and a presence in the OEM space as well as the replacement market. The Company has six manufacturing facilities spread across the country. Three facilities are located in North India, two are located in Central India and one, which is a 100% export-oriented unit, is located in Western India.

Apart from catering to the requirements of OEMs, we are also a major player in the replacement market in the Indian Sub-continent for all gears and shafts, under two brand names – KAG and Allied Panther. In India, HIM Teknoforge Limited is considered to be a trustworthy name among all its customers.



EXPORT FOOTPRINT

- | | |
|--------------------|-------------------|
| 1 Australia | 8 Italy |
| 2 Indonesia | 9 Spain |
| 3 Singapore | 10 Belgium |
| 4 Malaysia | 11 Germany |
| 5 Thailand | 12 Poland |
| 6 Sri Lanka | 13 UK |
| 7 Dubai | 14 USA |

06

THE COMPANY HAS SIX MANUFACTURING FACILITIES SPREAD ACROSS THE COUNTRY

EXECUTIVE MESSAGE



I am delighted to share that your Company was featured among the top 10 gear manufacturers of the country by Industry Outlook Magazine in the May 2021 edition.

VIJAY AGGARWAL

CHAIRMAN AND MANAGING DIRECTOR



Dear Stakeholders,

IT IS MY PLEASURE AND PRIVILEGE TO PRESENT TO YOU THE 50TH ANNUAL REPORT FOR FY 2020-21.

DURING THE YEAR GONE BY, THE WORLD WAS GRAPPLING WITH THE COVID-19 PANDEMIC, AS A RESULT OF WHICH, NATIONS WENT INTO LOCKDOWNS IN MULTIPLE PHASES. THIS HAD A DISASTROUS IMPACT ON ALL THE ECONOMIES ACROSS THE WORLD.

India too mandated a strict lockdown and social distancing norms to prevent the spread of the virus. This disruption to economic activity resulted in a 7.3% contraction in GDP for FY 2020-21 for our country. In my opinion, the lockdown was imperative at a macro level, as the country needed adequate healthcare facilities to combat COVID-19. However, at a micro level, managing the situation, wherein the country went into an overnight lockdown was a challenging task.

As a company, we were expecting FY 2020-21 to be much better than FY 2019-20. However, the financial year started with a lockdown and our only thought as a company was to survive through this unprecedented crisis while ensuring that all our employees were safe and not stranded anywhere. We even managed to arrange for the basic necessities for our workforce as and when required, during the lockdown period. Furthermore, your Company organised a vaccination drive for our workforce in April 2021 at two of our facilities, and ensured that all the employees are adequately vaccinated.

At the industry level, supply chains have been disrupted drastically due to COVID-19 in the last one year. Input costs went up by over 40-50% and sales of commercial vehicles has been consistently down for two straight years – FY 2019-20 and FY 2020-21. However, the demand for agri-implements and tractors in FY 2020-21 were on an increasing trend.