



**SHARDA MOTOR
INDUSTRIES LIMITED**

FUTURE PROOF



36th ANNUAL REPORT
2020-21

ACROSS THE PAGES

01-13

CORPORATE OVERVIEW

02	About Us: Ready for the FUTURE
04	Product Portfolio and Leadership: Offerings for the FUTURE
06	From the MD's Desk
08	Industry Opportunities: Key Trends That Shape the FUTURE
09	Our Readiness: Making us FUTURE-PROOF
10	Drivers of the FUTURE
12	Towards a Responsible FUTURE
13	Corporate Information

14-103

STATUTORY REPORTS

14	Notice
33	Directors' Report
68	Report on Corporate Governance
85	Business Responsibility Report
100	Management Discussion and Analysis

104-223

FINANCIAL SECTION

104	Standalone
164	Consolidated

Investor Information

Rs. 1,167.89 Crore

Market Capitalisation as at March 31, 2021

535602

BSE Code

SHARDAMOTR

NSE Symbol

Rs. 2.63 per share of
face value of Rs. 2 each

Dividend

27.08.2021

AGM Date

Video Conferencing (VC)/Other
Audio-Visual Means (OAVM)

AGM Mode



An electronic version of this report is available online at:

<https://www.shardamotor.com/investor-relations/>

Disclaimer: This document contains statements about expected future events and financials of Sharda Motor Industries Limited which are forward looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

SHARDA MOTOR INDUSTRIES LIMITED IS ONE OF INDIA'S LEADING AUTO-ANCILLARY PLAYER THAT THINKS BEYOND THE PRESENT AND CONSISTENTLY AUGMENTS ITS CAPABILITY TO MAKE ITSELF FUTURE-PROOF!

The operating environment across India and globally is constantly changing and customer's expectations are becoming more challenging. Besides, consistently changing regulatory requirements and emergence of electric vehicles makes the space even more exciting.

With our eyes firmly on the future opportunities we are consistently making efforts towards driving innovation and building a diversified product portfolio, aided by strong R&D, technological edge, value-accretive partnerships, capacities, efficient processes and robust financials. In doing so, we are not only surpassing our present achievements, but also laying a strong foundation for a future, that is bigger and better.



KPIS OF FY 2020-21

(on a consolidated basis)

REVENUE

Rs. **1,736.53** **+101 %**
Crore

EBITDA

Rs. **129** **+35 %**
Crore

PAT

Rs. **67** **+27 %**
Crore

EPS

Rs. **112.08** **+27 %**

DEBT EQUITY

Zero

ROCE

57.60 % **+23.7 bps**

EBITDA: Earnings before interest, taxes, depreciation and amortisation

PAT: Profit after tax

EPS: Earning Per Share

ROCE: Return on Capital Employed

ABOUT US:

Ready for the FUTURE

Incorporated in 1986, Sharda Motor Industries Limited (also mentioned as 'SMIL' or 'the Company' across the report) offers highly engineered products and services commencing from emission to suspension systems, roof systems and supply chain management solutions. Over the years, it has emerged as a leader in its space on the back of latest techniques, design, equipment and modern manufacturing facilities that are highly efficient, organised and structured. With the recent foray into lithium batteries for electric vehicles (EVs), the Company is strongly positioned to capture the significant growth potential of the industry.

OUR OFFERINGS

Emission Control (Exhaust System)

Suspension & Stampings

Roof System

Supply Chain Management

Lithium Batteries for EVs

QUICK FACTS



Inception

SUCCESSFUL AND
PROGRESSIVE JOURNEY
ACROSS TWO DECADES

1986



State-of-the-art Infrastructure

MANUFACTURING UNITS

09

SALES OFFICES

03

R&D CENTRE

01



Fully Backward Integrated

TUBE MILLS

02

STAMPING PLANTS

03

World-class Facilities across 7 locations in four states across India

SMIL Units

Sanand

- Exhaust System

Nashik

- Suspension Assembly
- Exhaust System
- Roof System

Pune

- Exhaust System
- Suspension Assembly

Delhi

- Corporate Office

Haridwar

- Stamping of Parts,
Fuel Tank & Exhaust
System

Chennai

- Tube Mill / R&D
- Exhaust System

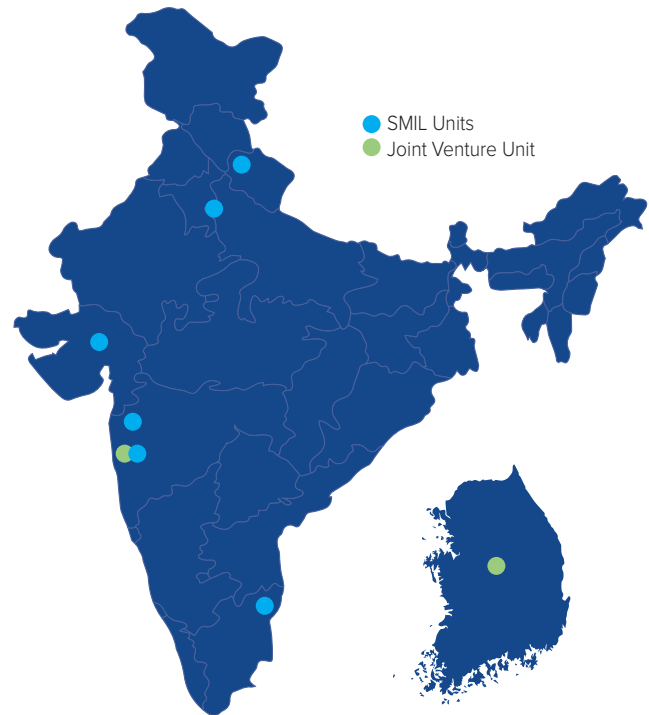
Joint Venture Unit

Pune

- Exhaust System – 2 Plants
- Lithium Battery
(under consideration)

Namyang - Korea

- Design & Development
Centre



This map is a generalised illustration only for the ease of the reader to understand the locations, and it is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its directors, officers or employees, cannot be held responsible for any misuse or misinterpretation of any information or design thereof. The Company does not warrant or represent any kind in connection to its accuracy or completeness.



Strategic Partnerships

- Eberspaecher Exhaust Technology International GmbH, Germany (CV exhaust systems)
- Kinetic Green Energy & Power Solutions Limited, India (EV Battery)
- Bestop Inc. USA (Roof Systems)



Sound Financials

- Debt Free Company
- Stable Cash Flows
- CRISIL:
Long-Term Rating 'CRISIL AA- / Stable'
Short-Term Rating 'CRISIL A1+'



Certified

ISO 9001



PRODUCT PORTFOLIO AND LEADERSHIP

Offerings for the FUTURE

Right from ideation to manufacturing, supported by strategic tie ups, SMIL has excelled in its product offerings to its customers across India and abroad. The Company is considered as the preferred supplier by several globally renowned OEMs for its innovation and consistent quality offerings.

PRODUCT PORTFOLIO

Passenger Vehicle



BS IV System



Cold End System



Resonator

Tractor



Tier IV System



Muffler

Commercial Vehicle

EXHAUST SYSTEM

INDIA MARKET SHARE

30%

TARGET SEGMENTS

PV, CV and Off-road

ANNUAL PRODUCTION

~1 million units

STRATEGICALLY LOCATED PLANTS
ACROSS INDIA WITH PROXIMITY
TO CUSTOMER LOCATION

5

STAMPING PLANTS MANAGING
ALL CRITICAL STAMPING
IN-HOUSE

3

TUBE MILLS PRODUCING
STAINLESS STEEL AND
ALUMINISED STEEL TUBES FOR
EXHAUST SYSTEMS

2

TECHNICAL PARTNERSHIP WITH

Eberspächer

PRODUCT PORTFOLIO



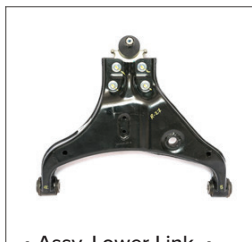
Arm Lower Control
Comp RH 2WD



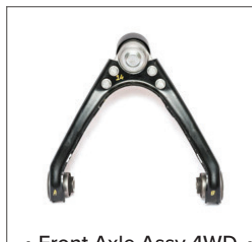
Front Suspension



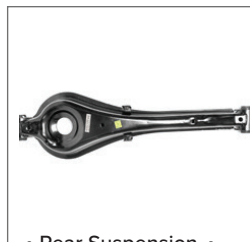
Upper Arm Assy



Assy. Lower Link



Front Axle Assy 4WD



Rear Suspension

SUSPENSION SYSTEMS

INDIA MARKET SHARE

~10%

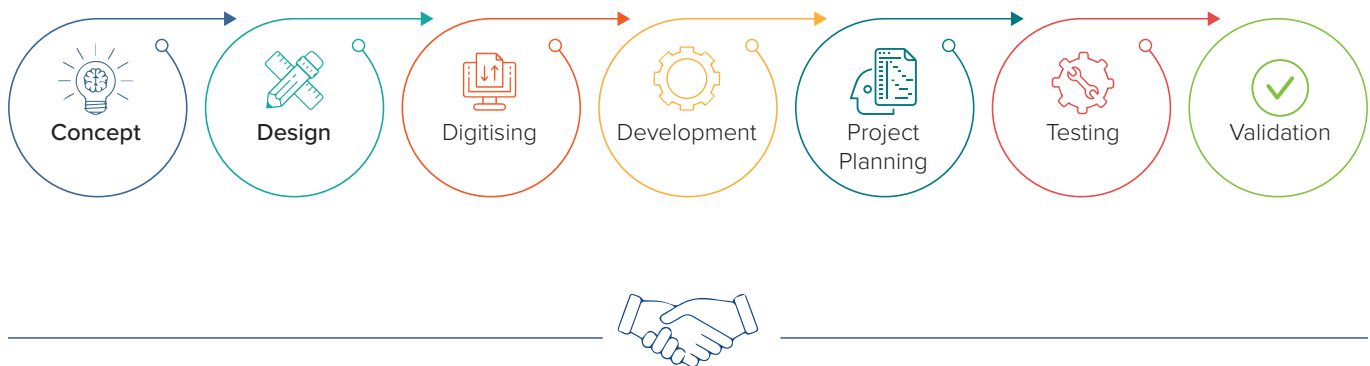
ANNUAL PRODUCTION

~1.5 lakh units

Manufacturing Units

2

PROCESS



STRATEGIC PARTNERSHIPS - A STRONG STEP TOWARDS A SUSTAINABLE FUTURE



JOINT VENTURE – LITHIUM BATTERY MANUFACTURING

Entered into a JV with Kinetic Green Energy & Power Solutions Limited in 2021 for manufacturing of Lithium batteries along with BMS for Electric Vehicles – 2W, 3W and Stationary applications.



JOINT VENTURE – COMMERCIAL VEHICLE EXHAUST SYSTEMS

Entered into a JV with Eberspächer Exhaust Technology International GmbH in 2019 to manufacture commercial vehicle exhaust systems in India. Eberspächer brings in global know-how for the local market.



TECHNICAL COLLABORATIONS – ROOF SYSTEMS

Entered into a technical partnership with Bestop Inc. USA in 2018 for manufacturing of roof systems.

FROM THE MD'S DESK



“We successfully implemented BSVI products and also adopted several cost efficiency measures. This helped us deliver better-than-expected results for the Company in FY 2020-21.”

Dear Shareholders,

The past year saw the COVID-19 pose formidable challenges and concerns for lives, businesses and economies alike. The repercussions of this global health crisis have been more severe than anticipated. The second wave of infections in early 2021 has only evinced that these disruptions are likely to continue for some time to come.

At SMIL, the year started on a difficult note as we faced the aftermath of COVID-19 and the resultant lockdowns. However, with the easing of restrictions, we turned a corner and resumed operations across all our locations. This was when we witnessed the strength of our asset base and our ability to serve customers as demand peaked swiftly. We successfully implemented BSVI products and also adopted several cost efficiency measures. This helped us deliver better-than-expected results for the Company in FY 2020-21. I am proud to state that we witnessed substantial growth in revenue, EBITDA and PAT by 101%, 35%, and 27% respectively. I must acknowledge that our employees' unwavering dedication and incomparable resilience are the key drivers for our success. Their support during the difficulties of the past year was truly remarkable. I am incredibly grateful for the hard work and tenacity shown by our entire team.

Emerging opportunities through technology shift

The automotive sector is undergoing a significant transformation & offering immense growth opportunities for the industry. Disruptive technologies like connected cars, autonomous driving, electrification & hybridization are collectively changing the future of mobility. In the next 2-3 years newer and more stringent emission regulations will be introduced in both on & off highway segments of the automotive industry. At SMIL, we are well positioned to benefit from these trends while being at the forefront of the technology underlying these transformations.

Leveraging Strong Foundation

SMIL enjoys a strong foundation riding on the back of our world-class technologies, strong R&D, state-of-the-art and strategically located backward-integrated facilities. Moreover, our joint venture, technology partnerships with the global majors, diverse product portfolio, industry leadership in the exhaust market and strong financial capabilities positively enable us to capitalise on the significant growth prospects ahead of us. We are ready to leverage the solid groundwork created over the past three decades while focussing our investments in areas supporting the opportunities ahead.

Foray into EV Components Segment

Electric vehicles are poised to change the future of mobility. Increasing environmental concerns and sky-rocketing fuel prices are primarily attributing to the rising popularity for EVs. We have entered into a joint venture with Kinetic Green Energy & Power Solutions to develop battery packs & battery management systems (BMS) for EVs and stationery applications. We will undertake design, development and assembly lithium-ion battery packs along with BMS through this joint venture company. This joint venture marks our entry into EV components highlighting our focus on sustainable & clean mobility to minimize carbon footprint.

Future-Proof Strategies

We aim to emerge as solution providers for both powertrains - the internal combustion engines and electric. Our R&D capabilities will play a pivotal role in achieving this. We are continuously investing in creating a robust R&D core to develop solutions that go beyond today's immediate needs. The idea is to proactively identify technologies that cater to the changes in regulatory and legal framework in the years to come. Here again, our strong investment capabilities give us ample opportunities to further diversify and expand our product portfolio horizontally & vertically. As we move along



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this growth path, we will focus on products and segments that enable efficient capital deployment, working capital management & strengthening overall ROCE.

Acknowledgments

On behalf of the board, I extend my sincerest appreciation for the entire SMIL team, who ensured our company survived one of the most challenging years to date. I must also deeply thank my fellow board members, the leadership team and all our employees. Without their strength and fortitude, none of this would have been possible. I also extend my gratitude to our customers for believing in our company and holding steady during tough times. And finally, I thank all our suppliers, shareholders, business partners and other stakeholders for their continued and unwavering support. We look forward to navigating the next part of our journey with each one of you. Till then, get vaccinated, take care and stay safe!

Best Wishes,

Ajay Relan

Managing Director

INDUSTRY OPPORTUNITIES:

Key Trends That Shape the FUTURE

LEGISLATIVE TAILWINDS – DRIVING MORE CONTENT PER VEHICLE

Legislations

Off Road

CEV IV* (April 2021)
TREM IV** (October 2021)
CEV V* & TREM V** (April 2024)

What do they specify?

EV and TREM IV & V emission stCEV and TREM IV & V emission standards are for non-road diesel engines used in agricultural and construction equipment.

Impact

- With applicability of new emission norms, the addressable market segment is expected to witness a CAGR of ~114% over the next 5 years
- Content per vehicle is expected to grow by over 100%

On Road

BS-VI norms on RDE (Real Driving Emissions) (April 2023)

What do they specify?

Norms will require cars to achieve emission targets even in real world conditions, as opposed to just a laboratory environment.

- RDE norms will result in addressable market CAGR of ~7% over next 5 years
- With applicability of RDE norms from April 2023, the content per vehicle is expected to increase by 10-15%
- BS-VI OBD-II norms will enable to capture additional organic growth

BS-VI OBD-II (On-Board Diagnostics) (April 2023)

What do they specify?

On-board diagnostic systems for emission control shall have the capability of identifying the likely area of malfunction by means of fault codes stored in computer memory as per the procedure laid down in AIS 137 when that failure results in an increase in emission above the limits.

EVS – THE NEXT BIG THING IN THE MAKING

Favourable Growth Drivers

Source: IBEF and Investor Presentation

