SHARDA
MOTOR INDUSTRIES LIMITED

38th
Annual Report 2022 - 2023

SMART INNOVATION FOR THE FUTURE.

CONTENTS

OUR TECHNICAL EXPERTISE - CRAFTING WITH PRECISION

At Sharda Motor Industries Limited, we specialize in designing and supplying high-quality parts and components for various types of vehicles, including passenger cars, commercial vehicles, and off-highway vehicles. With over three decades of experience in the field, we have established ourselves as a leading player in the industry, renowned for our technical expertise in vehicle parts and components.

Our technical expertise lies in offering highly engineered products and services commencing from the manufacturing of Exhaust Systems, Suspension Systems and Roof Systems. In addition to the components manufacturing, we also offer a range of associated services such as Supply Chain Management (SCM) and Procurement. Our team of experienced engineers and technicians use the latest tools and technology to ensure that all parts and components meet the highest quality standards.

Our commitment to quality, innovation, and customer satisfaction has earned us a reputation as a trusted and reliable partner for businesses in the automotive sector. We are dedicated to providing our clients with the best possible solutions to meet their needs, and our technical expertise in vehicle parts and components makes us a leader in the industry.

The below table highlights our proficiency in technology with respect to the assigned responsibilities:

Responsibilities	Concert Design	Acoustic Simulation	Structural Analysis	Proto Build	Industriali-zation	Testing	SOP
Passenger Vehicle Engine	✓	✓	✓	✓	✓	✓	✓
Small Commercial Vehicle Engine	✓	✓	✓	✓	✓	✓	✓
Light Commercial Vehicle Engine	✓	✓	✓	✓	✓	✓	✓
Medium Commercial Vehicle Engine	✓	✓	✓	✓	✓	✓	✓
Heavy Commercial Vehicle	✓	✓	✓	✓	✓	*	✓
3 Wheeler Passenger/Load Carrier	✓	✓	✓	✓	✓	✓	✓
Tractors & Off-road Vehicles	✓	✓	✓	✓	✓	✓	✓

* Has ability for testing up to 8L engine for Heavy Commercial Vehicle

LEGISLATION TAILWINDS

Leading To Increase In Content Per Vehicle

This section talks about the types of legislations that exist regarding CEV Stage IV, CEV Stage V, TREM IV and TREM V.

CEV IV* (Apr '2021) TREM IV (Jan 2023) CEV V* & TREM V** (Apr"2024)**

Legislation

CEV IV & V and TREM IV & V emission standards are for non road diesel engines used in construction equipment and agricultural tractors

Impact

With applicability of new emission norms, the Off Highway Addressable Market will become equivalent or larger to the current commericial vehicle market. With the newnorms, our products will be required for majority of the off highway segment – We have already developed and validated export product equivalent to TREM V norms

On-Road BS-VI RDE Norms (Real Driving Emissions) (Apr 2023) BS-VI OBD-II (On Board diagnostics) (April 2023)

Legislation

Norms will require cars to achieve emission targets even in real world conditions, as opposed to just a laboratory environment On-board diagnostic systems for emission contract 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.

Impact

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

KEY HIGHLIGHTS

- CEV Stage IV & CEV Stage V are applicable for construction equipment vehicles and other off-highway equipments.
- TREM IV & TREM V are applicable for agricultural tractors. However TREM V is likely to be postponed by a year.
- CEV stands for construction equipment vehicles.
- The Bharat Stage (CEV/TREM) IV emission standards are aligned with EU stage IV standards. While the Bharat Stage (CEV / TREM) V standards are aligned with EU stage V

GROWTH DRIVERS - STRATEGIC PROPELLERS FOR ADVANCEMENT

Sharda Motors Industries Limited has identified five key growth drivers that are critical to its success. These growth drivers include investment capabilities, operational efficiencies, improvement in assets efficiency, technology as a key entry barrier, and revenue expansion and visibility. By focusing on these drivers, the company can optimize its operations, develop innovative products and services, expand its client base and achieve sustainable growth and profitability over the long term. A strong focus on these drivers helps to ensure that Sharda Motors Industries Limited remains competitive and is able to meet the evolving needs of its clients and the market.

GROWTH DRIVERS FOR OUR COMPANY

Debt free with INR 567 crores surplus cash year ended 31st March 2023

Monetizable properties in National Capital Region

Capitalizing on Purem IV and implementation of BS VI emission norms

Foray into Electric Vehicle Lithium battery manufacturing segment

High margin in export markets for sub-component

Sustainable grwoth in operating profits vs Cyclical auto industry

Backward integration by producing in-house bought out parts

Strategic technology partnership giving access to world class technology in emission control system act as a key entry barrier for most of domestic suppliers

Projects in pipeline requiring only incremental CAPEX with high cash generation ability

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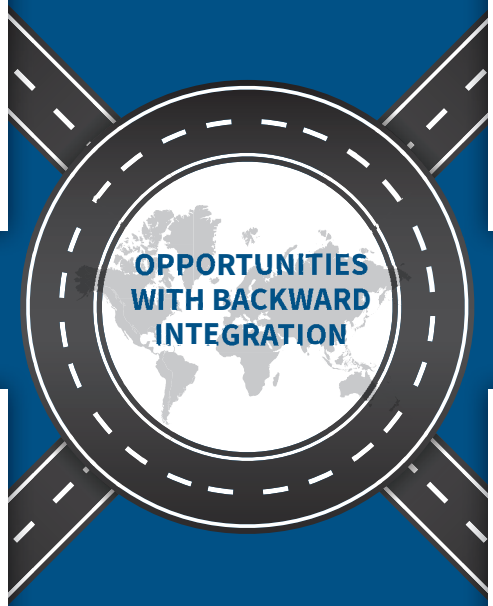
UNVEILING THE ADVANTAGES AND EXPLORING THE OPPORTUNITIES OF BACKWARD INTEGRATIONS

In this section, we highlight the advantages of backward integration, which is a form of vertical integration where a company takes on the responsibility of tasks previously handled by suppliers further up the supply chain. By expanding its role in this way, a company gains greater control over its supply chain allowing for better quality control and increased efficiency. Backward integration also helps to reduce costs by eliminating intermediaries and increasing bargaining power. Overall, this strategic approach offers several benefits for companies looking to enhance their competitiveness and gain a stronger foothold in the market.



STRUCTURAL ADVANTAGE

Completely backward integrated with two tube mills and three stamping plants.

VALUE ACCRETION

With manufacturing infrastructure already in place and no incremental setup cost. Export market for subcomponents offers higher margins and larger market opportunity

COMPLETE CONTROL

Over process and supply chain efficiencies, leading to cost optimization and gaining strategic advantage over competitors

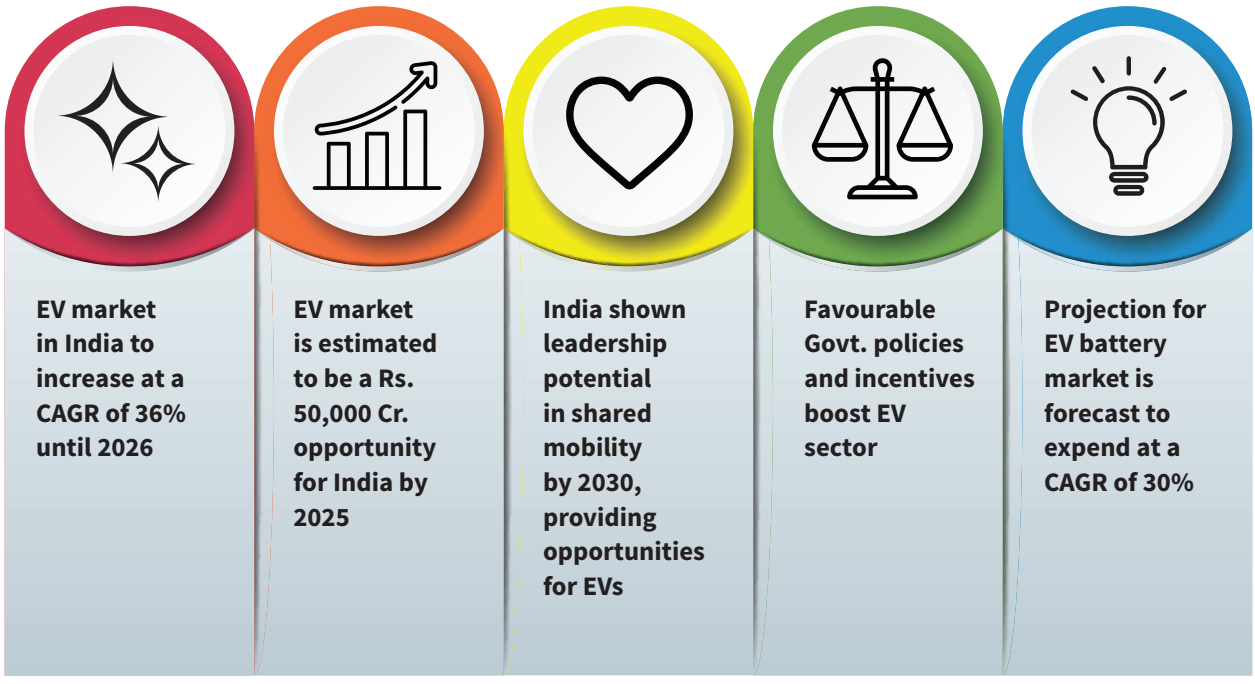
LEVERAGING OF EXISTING SETUP FOR NEW APPLICATIONS

Established expertise in manufacturing of subcomponents and exploring opportunities in export markets

PREPARED FOR TOMORROW:
Navigating the Electric Vehicle (EV) Landscape in India

The graphic below highlights the potential impact and growth opportunities of the electric vehicle (EV) market in India. With the Indian government implementing favorable policies and regulations for EVs in the country, it is projected that the EV market will grow by 36% by 2026. This growth potential positions the EV market in India to represent a Rs. 50,000 Crores opportunity by 2025. Furthermore, initiatives to adopt new regulations promoting automotive hybridization and electrification showcase India's potential to become a leader in the field of shared mobility by 2030. As the EV market continues to expand and evolve, India is well-positioned to take advantage of the opportunities presented by this dynamic sector.

ELECTRIC VEHICLE DRIVERS

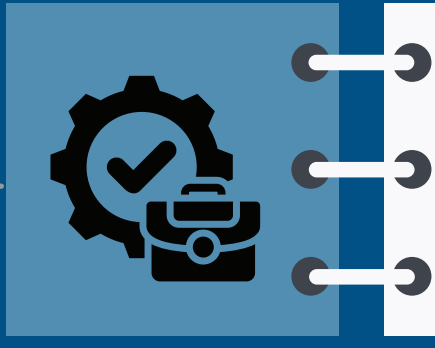


GETTING FUTURE READY

We are well prepared to collaborate and partnering with original equipment manufacturers (OEMs) within the electric vehicle (EV) sector. Our joint venture with Kinetic Green to manufacture lithium batteries has given us a valuable early-mover advantage in the Indian market. We are excited about the potential opportunities that such partnerships can provide and we are dedicated to leveraging our expertise and resources to create innovative solutions that can help drive the growth of the EV market in India and beyond.

De-Risking

Partner with OEM that are already in production and sales of EVs, assuring ready market and technology



Investment in Emerging Technologies

Entered a JV with Kinetic Green for manufacturing of lithium batteries for EVs. Provided an early mover advantage.

DRIVING INNOVATION TOGETHER:

Shaping the Future through Strategic Technology Partnerships

Strategic technology partnerships are a key aspect of our approach at Sharda Motor Industries Limited, particularly in our pursuit of technical collaborations, joint ventures and new ventures in the automotive industry. Through our partnerships with technology companies, startups and other industry leaders, we aim to accelerate the development of innovative solutions for exhaust systems and lithium battery manufacturing as well as other areas of vehicle engineering and design. These strategic partnerships enable us to combine our strengths with those of our partners, helping us to achieve our goals more quickly and efficiently, and to bring new products and services to market with greater speed and agility. At Sharda Motor, we believe that strategic technology partnerships are crucial to driving the growth and success of the automotive industry in India and around the world.

Technical Collaboration

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

Joint Venture Exhaust systems

- Eberspacher and SMIL entered a JV to manufacture commercial vehicle exhaust systems in India.
- Eberspacher brings in Global know-how for the local market

Lithium Battery Manufacturing

Kinetic Green and SMIL entered a JV to manufacture Lithium batteries along with BMS for EVs – 2W, 3W and stationary application