

Transcript of the proceedings of 36th Annual General Meeting of Sharda Motor Industries Limited held on Friday, August 27, 2021 at 12:00 Noon (IST) through Video Conferencing ('VC')/Other Audio Visual Means ('OAVM')

Nitin Vishnoi

Dear shareholders, a very good afternoon to all of you. I, Nitin Vishnoi, Executive Director and Company Secretary welcomes you all at this 36th Annual General Meeting of Sharda Motor Industries Limited. I also confirm that I am joining this meeting from the registered office of the company in New Delhi. Hope all of you are safe and in good health and wish you to stay in that way. In view of the ongoing COVID-19 pandemic, adhering to social distancing norms and continuing restrictions on movement of persons at several places in the country, and in pursuant to the circular and notifications issued by the Ministry of Corporate Affairs, MCA and SEBI, this 36th Annual General Meeting of the company is being conducted through the video conferencing facility, which does not require the physical presence of the member at a common venue. Therefore, I thank all the shareholders, ladies and gentlemen, who have already joined us today in this meeting.

As per the record and the information made available to me, I confirm that the requisite quorum has already been present for this meeting. The required statutory register, including the shareholding register of directors and the key managerial personnel, KMPs, register of charges and other related documents are available for inspection of the member at the website of the CDSL. The shareholder can access and view the set documents after logging into the website. Before we commence the proceeding of this meeting, I would also like to introduce you to the directors and other dignitaries who have already joined us this meeting through the video conferencing facility. I would also request all the directors and other dignitaries to confirm their presence and the place from where they are joining this meeting. First of all, I request Kishan Parekh, chairman of the board audit committee and risk management committee to confirm his presence and the place from where he is joining this meeting. First of all, I request Shri Kishan N. Parikh sir, Chairman of the Board, Audit Committee and Risk Management Committee to confirm his presence and place from where he is joining the meeting.

Kishan N. Parikh

Sir. Good afternoon, everyone. I am Kishan Parikh, joining this 36th AGM of the company from Mumbai.

Nitin Vishnoi

Thank you. Thank you, sir. Now I will request Shri Ajay Relan, Managing Director of the company to please confirm his presence.

Ajay Relan

Good afternoon, everybody. I am attending this 36th AGM from New Delhi. Thank you very much, sir.

Nitin Vishnoi

Now I request Shri Satyendra Kumar Lamba, Independent Director and Chairman of the Stakeholder Relationship Committee and Nomination and Nomination Committee of the Company to please confirm his presence, Sir. Lamba sir.

Satyendra Kumar Lamba

I am S.K. Lamba speaking from New Delhi. Nice to be here. Thank you, sir. Thanks.

Nitin Vishnoi

Now I will request Bhattacharya ji. I think he could not join due to some reason. So I will request Shri Udayan Banerjee, Independent Director of the company to please confirm his presence.

Udayan Banerjee

Sorry, my video is not working. You can hear my voice. I am Udayan Banerjee. I am attending this meeting from Calcutta.

Nitin Vishnoi

Thank you very much, sir. Now I will request Shri Ashim Relan, Chief Executive Officer of the company to please confirm his presence.

Ashim Relan

Hi, this is Ashim Relan. I am joining in from New Delhi. Nice to be here.

Nitin Vishnoi

Thank you. Thank you very much, sir. Now I will request Shri Srinivasan, Chief Executive Officer of the company to please confirm his presence.

Srinivasan

Good afternoon to all the shareholders. Myself Shri Srinivasan, CFO. I have joined for the 36th annual meeting from my residence at Pune. It is a pleasure to be here.

Nitin Vishnoi

Thank you. Thank you, Shri Srinivasan. Now I will request Shri Deepak Pokhriyal, partner of M/s Gupta Vig & Company, Statutory Auditors' of the company to please confirm his presence.

Deepak Pokhriyal

Good afternoon, everyone. This is Deepak Pokhriyan, and I am joining this 36th AGM of the company from New Delhi.

Nitin Vishnoi

Thank you, Deepak. Now I will request Shri Vineet Kumar Chaudhary, managing partner of VKC & Associate, Secretarial Auditors' of the company, to please confirm his presence.

Vineet Kumar Chaudhary

Good morning to the respective board members and the worthy shareholders participating in this 36th Annual General Meeting of the company. I am Vineet Chaudhary. I am participating in this meeting through video conferencing from my office at South Extension, New Delhi. Thank you.

Nitin Vishnoi

Thank you, Vineet. Dear shareholders, I would also like to inform you that Smt. Sharda Relan, co-chairperson of the company, Smt. Dr. Sarita Dhupar, Independent Director, and Shri Ashok Kumar Bhattacharya ji has not joined this meeting today with us. Further to inform you that Shri Vineet Kumar Chaudhary and in his absence, Shri Mohit Kumar Dixit, Company Secretaries in practice, has been appointed as the scrutinizer to scrutinize the entire voting process of this 36th annual general meeting in a fair and transparent manner.

Dear shareholders, all the shareholder attendees who have joined this meeting are placed by default on mute to avoid any disturbance from the background noise and to ensure a smooth and seamless conduct of the meeting. Now, I will request Shri Kishan N. Parikh, Chairman of the company, to address the shareholders and other stakeholders who have already joined this meeting.

Kishan N. Parikh

My dear shareholders, members of the board, distinguished guests, ladies and gentlemen, I welcome you all to the 36th annual general meeting of your company.

We are once again connecting through virtual mode as the pandemic COVID-19 is still ongoing and ensuring safety of our shareholders and staff is of paramount importance to us. I want to thank you for sparing your valuable time to join us and hope that each one of you and your family members are in good health and safe. Fiscal year 2020-21 has been amongst the most challenging year to date.

It presented challenges to our society, our economy and especially healthcare staff. We saw the fiscal year beginning under lockdown imposed by government to curb the spread

of health pandemic. The unfortunate consequences of the same were shutting down of business and plummeting demand of products and services, especially during the first quarter of the fiscal.

The Indian automobile industry that has a bearing on the automobile component industry is also made majorly impacted. Sales of Indian auto industry saw a contraction on year-on-year basis and posted a 13.5% decline in financial year ended 2021. First quarter was most impacted and despite demand revival in subsequent period, the industry still saw a decline in sales volume across all vehicle segments.

With the above background, I shall proceed to briefly cover the highlights of the financial year 2021 and the steps being taken by our company to stay stronger.

Financial year 2020-21

Annual report for the year ended 31st March 2021 along with the AGM notice, directors report and audited annual accounts of the company including auditors reports on the annual accounts of the company for the financial year ended 31st March 2021 which does not contain any qualifications, observations, comments or adverse remarks on the physical transactions or matters has already been circulated to you and with your permission we may take them as read. I am sure the same has received your attention.

For your company, it was a very difficult year. Our immediate focus was the safety and well-being of our employees and our ecosystem partners. To address this crisis, we put in place an agile and ecosystem-centric ways of working which helped us to absorb the initial shock of total lockdowns and as the demand ramped up, we swiftly shifted gears to significantly scale up the capacities and move fast to serve customer demand, thereby ending a year on a stronger note.

In these challenging times, I am delighted to report that your company closed the physical year with revenue from operations of Rs. 1736.5 crore and a net profit before tax of Rs. 78.6 crore by registering a growth of 101% in revenue from operations and 36% in net profit before tax year-on-year basis.

We are well positioned to benefit from the trends of electrification and hybridization after being at the forefront of the technology transformations by entering into joint ventures and technological agreements. In light of company's performance, Board of Directors recommended the final dividend of Rs. 2.63 per share i.e. 132% on face value of Rs.

2 per share for the financial year 2020-21. Our results are a testimony of our ability to adapt to challenging business environment and create new growth opportunities. Looking ahead, I am optimistic about the financial year 2021-22 on the basis of strong fundamentals of Indian economy and auto industry but at the same time also cautious about the challenges that next waves of health pandemic might impact.

I am confident in team's will and ability of our people to deliver innovative and best-in-class products and solutions to our customers. We will continue to work in the best interest of all our stakeholders while keeping in view the overall sustainable development

of the society. At the same time, remaining rooted in our principles of quality, innovation and continuous learning.

Dear shareholders, the management acknowledges that the journey which has been covered so far would not have been possible without the relentless efforts, commitment and energy of our employees as well as the dedicated and sincere support of all our stakeholders. On behalf of the board, I wish to extend my sincere appreciation for the entire Sharda Motors team who ensured that our company survived one of the most challenging years to date. I thank every member and employee of the company for the commitment, enthusiasm and relentless efforts as well as to our partners, associates and other stakeholders for the continuous support and encouragement which we continue to count on as we forge ahead. 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. Thank you.

Nitin Vishnoi

Thank you very much, sir, for your kind words. And now, with your permission, may I take these proceedings for the two of this 36th Annual General Meeting.

Kishan N. Parikh

Please go ahead.

Nitin Vishnoi

Thank you, sir, Dear shareholders, I would like to inform you that some of the shareholders have registered themselves as the speaker for the AGM and have also requested to ask some questions from the panellists. Now, with the permission of the chairperson, may I request the moderator to unmute the speaker, shareholder to speak and ask their question one by one. After taking, we will also like to inform you that we will answer the questions raised by the shareholders one by one after taking all the questions.

If there is any connectivity issue from the speaker, shareholder's end, we will request the moderator to unmute the next speaker, shareholder to ask his questions. We would also request the speaker, shareholder to kindly limit his speech up to the three minutes only. So, should we, chairman sir, should I ask the moderator to unmute the speaker of shareholders?

Kishan N. Parikh

Yes, please go ahead with the questions.

Nitin Vishnoi

Thank you, sir. So, moderator, you please unmute the first speaker, shareholder, Mr. Chetan Chadha. Moderator, Mr. Mangla.

Chetan Chadha

Can you hear me, sir? Yeah, yeah. My name is Chetan Chadha. Sir, can you see me? Yes, yes, yes, I can.

Nitin Vishnoi

We can hear you. Thank you, sir.

Chetan Chadha

Thank you for the opportunity to join with you. Sir, my name is Chetan Chadha and I'm joining with this AGM from my home, New Delhi. I'm very happy to hear that. Sir, your views are very good.

I just have two questions. My first question is that in our annual report shows that the company holds 280 crores cash and the equivalent. What are the plans of our company to utilize the same for improving the return ratio? Sir, my second question is that for financial year 2021, what is the share of revenue between various verticals like exhaust, suspensions, etc.? Thank you.

Nitin Vishnoi

Thank you, Chetan Chadha ji. We will keep in mind and of course, we also want to connect with you people in the physical meeting. Once the pandemic will be over, suddenly we will be joining physically face to face. Thank you, Mr. Chetan. Now, I will request moderator to please unmute Mr. Gagan Kumar, the second speaker.

Gagan Kumar

Am I audible? Yes, you are, Mr. Gagan.

Nitin Vishnoi

Yes. Please, Mr. Gagan, you please ask your queries to the panelist. Okay.

Gagan Kumar

Good morning, Mr. Chairman, Board of Directors and fellow shareholders. Myself, Gagan Kumar. My DPID is 3002061104542. I'm joining this meeting from Delhi. Sir, in order to mitigate the risk of passenger vehicle business, our company has added more platform

like CVE and off-road business to its platform, to its portfolio. I would like to know by when they would start making significant contribution to revenues.

Whether there is any vertical that can bring 500 crore revenue? If so, then by what time? My second question is the current capacity utilization of our company is 80%. So, are we planning to put up CAPEX to add to new capacity for growth? That's all from my side. I hope to see you all in person in the next year, AGM. Thank you. Sure.

Nitin Vishnoi

We are also expecting the same. Thank you, Gagan, for asking your questions. And now, may I request the moderator to please unmute Mr. Vimal Jain, the third speaker to this meeting. Pardon, the last speaker.

Vimal Jain

Good afternoon, respective chairman, board of directors, and my fellow shareholders attending the meeting. Sir, no doubt, we have full faith in the management.

But I want to know about the joint venture. First, our first joint venture is Exhaust Technology Private Limited. So, I wanted to know that what is the business that this joint venture company does? What are the revenue targets for the ETPL in next three to five years? And in future, can this joint venture company be a 1000 crore entity? And lastly, can you kindly explain the addressable market, investment period, required capacity, probable time for commencement of business revenue potential of our joint venture with kinetic green energy and power solution limited for next three to five years? And explain the margin profile.

And also confirm with the margins would be lower or higher than existing esteemed business. Lastly, I would like to thank our secretarial department and staff for making good meeting arrangement for conducting the meeting and giving me the opportunity to put forward my question so that I could interact. And I hope that next time we will meet, we will have a good market value, better market value of our share price. Thank you once again

Nitin Vishnoi

Thank you, Mr. Vimal. And we have noted your points and noted the points and the questions which has been raised by all the three speakers to this meeting. And with this, we have taken all the questions as the speaker from all the three speakers. So may I request now to Mr. Srinivasan and CFO of the company to please answer the question which has been raised by all the speakers and we have noted the same. So over to Srinivasan now.

Srinivasan N.

Thank you, Mr. Nitin. And with the permission of chairman, I will proceed to answer the questions raised by shareholders. First of all, good afternoon to shareholders and it's a pleasure to interact with you. So I will go one by one to answer Mr. Chetan Chadha, our first speaker. There were two questions raised by him. One was the availability of cash of 280 crores end of March.

And what are our plans to utilize the same? So yes, we are planning to utilize the cash surplus in three different ways. The first and foremost is we are looking for various M&A opportunities, either in the organic way or the inorganic way. However, this will be decisions which are based in financially friendly projects and will not be for any acquisition.

So it will be a thorough analysis and then we will invest in such companies. The second use will be on the capital investment as and when required. So we will not depend on any external funds.

We will use the internal surplus for any Capex investment in the future. And lastly, we as a shareholder, we want to give it back to you in the form of dividends. So you would have started even in the COVID year last year. We are trying to give back to the shareholders. So these are the three different ways we are planning to utilize the cash surplus we have.

Moving on to the second question, which was related to the share of revenue between the various verticals that we have so to answer that, for our exhaust business, we had 88% revenue share last year, Suspensions was around 5%. SCM and procurement business around 3% and other small categories around 4%. So I hope that answers your questions, Mr. Chetan Chadha.

So I will move on to the next speaker, Mr. Gagan Kumar and you had raised two questions. One was on the mitigation of the passenger vehicle risk, wherein where we had added the CV platforms and also looking at off-road business to help us. So your first question was when these new segments will add significant contribution to revenues. So here the answer is, you know, for the commercial vehicle platforms for less than 2.5 liter engine, we have already started realizing the contributions and it will keep on increasing in the coming years. In case of the CV above 2.5 liters, which is supplied through our joint venture company, ETPL or Exhaust Technology Private Limited, the contribution is still to accrue and we expect the same in the next one to two years. And in case of off-road, as you all know, we have legislation changes coming up in the year 2023 and beyond and we expect to realize that contribution post those years. For the moment, we will not be able to quantify the revenue at this stage. However, considering the legislation changes and the market size, we will have a significant share in the coming years and definitely it will take care of our risk from the passenger vehicle business.

Moving on to the next question, which was basically on the capacity utilization, which is currently around 80% and, you know, we will be required to put significant CAPEX for capacity. So, the answer is that our plants are fully set up, you know, with the capabilities

to cater to new legislation requirements or any small addition to the business. However, for any major business where we need incremental CAPEX, we'll need only incremental CAPEX and we will not need any significant plant setup as of now and we are planning to utilize our cash surplus for the same. So, to answer the question, we don't really need a significant CAPEX right now for capacity enhancement. So, I hope that answers Mr. Gagan Kumar's questions.

So, moving forward, the final speaker, Mr. Vimal Jain, had raised a couple of questions about the joint venture. Really happy to take this question because we are on a path to, you know, work on our joint ventures and get significant contributions from them. The first question was on the Exhaust Technology Private Limited, I mean, what is the business of JV, what are the revenue targets, and whether the JV company can be a thousand crore entity. So, to answer that, our Exhaust Technology Private Limited will cater to the commercial vehicle exhaust systems and its components for CVs beyond 2.5 liter engines, as I had already mentioned in the previous question. Further, this is a 50-50 joint venture, so the revenue share is not consolidated in SMIL.

In fact, we closed last year with 150 crore revenue, and, you know, we are poised to grow significantly in the next few years. We have already started our second plan for this JV in the current financial year 2021-2022, and we are expecting to double the revenue within the one or two years and we expect significant growth in the coming years also.

Moving on to the question on the Kinetic Green JV, I think it's a very exciting JV for all of us. As you all know, electrification is a major concern for many of the shareholders, and we are taking appropriate steps to, you know, start our venture into the EV space. So, kinetic is our first such initiative, and this is an initiative for assembly of lithium-ion batteries for two and three-wheelers.

We further intend to support the battery management systems for this joint venture and this will be a 74-26 JV, wherein smell will hold 74 percent share and as you know, kinetic green itself is an OEM, which manufactures two and three-wheelers, and they will be our predominant customers in this JV.

It is early to estimate the revenue potential or the margin profile at this stage. However, rest assured, you know, this project is a very financially friendly project, and with the incentives by governments in the EV sector, we expect significant revenues from this JV in the next three to five years. So, we are expecting to start our commercial production maybe in the next financial year. However, it is early to comment on the margin profile. So, I hope that answers your question, Mr. Vimal Jain. So, I think that's all I had from my side. Over to you, Mr. Nitin.

Nitin Vishnoi

Yeah. Thank you, Srinivasan. I believe that you have satisfactorily replied all the questions which have been raised by our speaker shareholders. So, now, with the permission of the chair, I will be taking the proceeding of this 36 AGM further, and I would like to briefly about the voting procedure at this meeting and the voting procedure which

we have provided for the remote e-voting. The company has provided the facility for the remote e-voting and also for the e-voting during the AGM.

The e-voting facility has been provided to all the members whose name appear in the register of member as on the cut-off date of 20th of August 2020 to cast their vote electronically on all the resolutions which was set out in the AGM notice of this 36 AGM. The remote e-voting period commenced from the 9.00 A.M. on Tuesday, 24th of August 2021 and ended on Thursday, 26th of August 2021 at 5.00 P.M. And the members who have not casted their vote through the remote e-voting method may now cast their vote electronically at the AGM through the NSDL and CDSL as per the procedure detailed in the notice calling this 36 AGM. The result of remote e-voting and the voting at the AGM shall be declared within the stipulated time period on the basis of the scrutiniser report and shall be placed on the website of the company as well as on the CDSL website and we shall also submit the same to the stock exchanges.

Now, I would like to quickly summarise the business which are stated in the notice of 36 AGM and which has been set out as item number 1 to 8 of this notice. Item number 1 to 3 are the item of ordinary businesses and from item number 4 to 8 are of the special business.

1. A) To consider and adopt the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021 and the reports of Board of Directors and Auditors' thereon.
B) To consider and adopt the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021 and the Auditors' thereon.
2. To re-appoint Shri Nitin Vishnoi (DIN: 08538925), who retires by rotation, being eligible and offers himself for re-appointment as Director of the company.
3. To declare a final dividend for the financial year 2020-21.
4. Approval of Re-appointment of Shri Udayan Banerjee (DIN: 00339754) as Non-Executive Independent Director of the Company for a second term of five consecutive years from the January 1, 2022 till December 31, 2027.
5. Approval for Continuation / Re-appointment of Shri Udayan Banerjee (DIN: 00339754) as Non-Executive-Independent Director being aged about 74 years, w.e.f January 15, 2022 till December 31, 2027.
6. To re-appoint Shri Ajay Relan as Managing Director of the Company.
7. To consider and approve the payment of remuneration to be paid to Shri Ajay Relan, Managing Director / promoter of the Company in excess of threshold limits as per SEBI (LODR) (Amendment) Regulations, 2018.
8. To ratify the remuneration to be paid to M/s. Gurdeep Singh and Associates, Cost Auditors of the company.

Theses were the agenda which were given in the notice of the AGM, now I request Shri Vineet Kumar Chaudhary Scrutinizer to take on the Proceedings for voting at the Annual General Meeting.

Vineet Kumar Chaudhary

Thank You Mr. Vishnoi for informing about the detailed procedure of e-voting. Now I request Shareholders to cast their vote electronically at the AGM, who have not yet casted their vote through remote e-voting. Voting will remain open for 15 minutes from the conclusion of this 36th AGM. Look Forward, cast your votes, we will be compiling the votes and submit our report to the chairperson.

Nitin Vishnoi

Thank you Vineet, Now I will request chairman to give his concluding remark for this Meeting for conclusion.

Kishan N. Parikh

Thank you, very much dear shareholders and other Stakeholders, for attending this 36th AGM of the company virtually, Now I declare this 36th AGM as concluded.

Nitin Vishnoi

Thank you, shareholders, electronic voting shall remain for next 15 minutes, please cast your votes. Thank you all for joining this meeting. Now this meeting is concluded as per the closing remarks. Thank You