

Transcript of the proceedings of 39th Annual General Meeting of Sharda Motor Industries Limited held on Thursday, 26th September 2024 through Video Conferencing ('VC')/Other Audio Visual Means ('OAVM')

- Mr. Nitin Vishnoi - Members of the board of directors and others, a very good afternoon to all of you. I, Nitin Vishnoi, Executive Director and Company Secretary of Sharda Motor industry's Limited, extend a very warm welcome to everyone attending this 39th Annual General Meeting of the company. This meeting is being conducted through the video conferencing mode and CDSL has facilitated the same in accordance with the circular issued by the regulators. All members who have joined this AGM are automatically placed on the mute by the moderator to avoid any disturbance arising from the background noise and to ensure a smooth and seamless conduct of the AGM. As informed by the moderator and I can also see that the requisite quorum is present and with the permission of the chair, I call the meeting in order. Before we commence the proceeding of this meeting, I would also like to introduce you with the directors and other dignitaries who has joined us today. Through the video conferencing mode. 1st of all, I am starting from who is the chairperson and also the chairman of the Risk Management and Corporate Social Responsibility Committee.
- Kishan Parikh Good afternoon, everyone.
- Nitin Vishnoi Thank you sir. Now, next is Mr. Ajay Relan who is the Managing Director of the company.
- Ajay Relan Good afternoon, everyone.
- Nitin Vishnoi Independent Director and also the Chairperson for the Stakeholder Relationship Committee.
- Udayan Banerjee Good Afternoon everybody.
- Nitin Vishnoi Thank you, sir, then Shri Puru Aggarwal, president and group CFO of the company.
- Puru Aggarwal Thank you
- Nitin Vishnoi Shri Vineet Kumar Chaudhary
- Vineet K Chaudhary Good afternoon, everyone. Good afternoon.
- Udayan Banerjee Thank you, thank you, Melissa.
- Nitin Vishnoi I would also like to inform you that Smt. Sharda Relan and Smt. Sarita Dhuper, Director of the company, could not attend this 39th annual general meeting of the company. I would also like to inform you that the register of director and Key managerial Personnels and their shareholding, register of contract or arrangement in which directors are interested, the register of charge and other documents as mentioned the notice calling the AGM are available for the digital inspection by the shareholder. The shareholder can inspect them digitally through their login portal with the depositories. Now I request Shri Kishan N. Parikh, chairperson of the board to address the shareholders and commence the proceeding of this 39th AGM of the company.

Kishan Parikh

Thank you Mr. Vishnoi. Dear shareholders, Ladies and Gentlemen. It gives me immense pleasure to extend a warm welcome to all of you at the 39th Annual General Meeting of your company. I am pleased to inform you that the annual report for the financial year 2024, has been circulated to the shareholders and is also available on the websites of stock exchanges and the company. I hope everyone has had the opportunity to review it. With your kind permission, we are taking the Director's Report, Auditors Report, and Audited Account for financial year 2024 as read. The automotive component industry has undergone through many changes over the last couple of years in the wake of the dynamic global Trends and market shifts. In post COVID era, globally major economies have embarked on a journey to de risk the supply chains and started focusing on alternatives other than China, which has created enormous opportunities for the Indian automobile ancillary market. Additionally, new themes in the field of lightweight material and continuous advancement in emission norms have opened new growth areas. India is emerging as one of the global hub for auto component sourcing as part of de risking in the post COVID era, and the industry exports over 25% of its production annually. Auto component exports will further rise going forward in view of the significant investments being made to boost localization and reducing imports. Production linked incentive "PLI" schemes for automobile and auto components can potentially bring in a Capex of around rupee 75000 crores tantamount to around US dollars 9.58 billion in the next five years. By 2026, the automobile component sector is expected to contribute five to seven percent of India's GDP. The automotive mission plan, 2016-26, projects to provide direct incremental employment to 3.2 million by 2026. In line with the rising trends in the Indian auto component industry, your company achieved a commendable growth of 5.6% in total revenue reaching 2897.11 crores during financial year 24. We recorded a net profit of rupees 2904.89 crores marking a significant increase of 43.55% compared to the previous year. This success highlights our operational efficiencies, cost optimization and focus on high margin products. Additionally, we invested 18.36 crores in research and development, underscoring our commitment to innovation. Given the company's performance, the board of directors has recommended a final dividend of rupees 9.92 per share of the face value of rupees two each for the financial year 24. Our performance showcases our ability to adapt the challenging business environments and explore new growth opportunities. Looking ahead, we aim to leverage global trends and domestic Market opportunities to drive sustainable growth and innovation. Our primary focus areas shall include exploring new market segments arising from regulatory tailwinds, expanding our global business through exports, developing lightweight products and pursuing strategic partnerships Collaborations and acquisitions. We are committed to minimizing our environment footprint by promoting sustainable manufacturing and procurement practices. Our focus also includes amplifying our social impact to meaningful partnerships with stakeholders. All research and development expenditures are strategically directed towards enhancing product features to create a significant positive impact on both the environment and the society. This

dedication to excellence has earned our Mahindra world city Chennai plant, the supplier quality performance award from Ashok Leyland clearance for the financial year 2023 -24 in recognition of achieving a flawless zero parts per million PPM defect rate. I'm glad to share the latest endeavours of the Shada CSR Foundation trust. The CSR arm of your company, the trust is dedicated to support our communities with focus on key areas such as health, environment, and education. As a next step towards serving the society, the trust established the Shada CSR medical clinic in March 2024 at Nasik in collaboration with Apollo Telemedicine Networking Foundation. The clinic offers free services to the community, thereby benefiting approximately ten nearby villages. It is staffed with general physician, paramedic, and community mobilizers and provides free checkups Specialized examination, medications and basic health checkups. This year, we supported 149 beneficiaries by providing artificial limbs, crutches and hearing aids through Shree Mahavir Viklang Sahayta Samitee. These initiatives exemplify our commitment to make a positive impact on the lives of those indeed. We extend our gratitude to all who were involved in these efforts and look forward to continue our mission of corporate social responsibility. On behalf of the board, I would like to express my deepest gratitude to the entire SMIL team for the resilience and commitment. Our human resource is our greatest asset. The company continues to attract top talent due to its inclusive culture and the vast opportunities for personal and professional growth. I would also like to extend my heartfelt thanks to all our customers, suppliers, shareholders, banks, financial institutions, the government, and other stakeholders for the unwavering support, partnership and invaluable contributions with this, I want to thank you once again to all, and I now hand over this, Mike to Shri Nitin Vishnoi company secretary for the rest of the proceedings. Thank you.

Nitin Vishnoi

Thank you very much Sir, for your kind words and before I take the meeting proceeding further, I would like to inform that Mr. Naveen Paul, who is the independent director and also the chief person for the audit and nomination and remuneration committee has also joined the company and by default, he was on mute and further also announce the Statutory Auditor, S. R. Dinodia could not join this meeting this is to be noted and now I take with the permission of the cheer person, I take the opportunity to brief you about the procedure regarding the voting. The company has provided the facility for the remote e voting and also for the e-voting during the AGM. The facility is provided by the Central Depository Services Limited (CDSL) to all the members whose names appears in the register of member as from the cutoff date, that is Thursday, September 19, 2024, to pass their vote electronically on all resolution through remote e voting and also at the agent. As set out in the notice convening this 39th and AGM. The remote e voting period commenced. From 9 A.M. on 22 September 2024 and ended on 25 September 2024 at 05:00 P.M. Those members who has not casted their vote during the remotely voting period may now cast their vote. Electronically at the AGM as per the procedure detailed in the notice calling this 39th AGM. The combined result of the remote e voting and the voting at the AGM shall be declared within the stipulated time on the

basis of the scrutinizer's report and shall also be placed on the website of the company and CDSL and also be available on the website of the stock exchanges. Shri Vineet Kumar Chaudhary and in his absence Shri Mohit Dixit, Company Secretaries in practice have been appointed as the scrutinizer to scrutinize the entire voting process of this 39th AGM in a fair and transparent manner. Now, I would like to quickly summarize the businesses as stated in the notice for convening this 39th AGM as mentioned as per agenda item number 1 to 7 of the notice.

Item number 1A - To consider and adopt the audited standalone financial statement for the financial year ended 31 March 2024, along with the reports of the board of directors and auditors there on

Item number 1B – To consider and adopt the audited consolidated financial statement of the company for the financial year ended 31st March 2024 and the report of the auditors there on.

Item number 2 - To declare a final dividend for the financial year 23 - 24.

Item number 3 - To retirement by rotation who does not seek re-appointment.

Item number 4 - To reappoint Nathan Vishnoi as whole-time director of the company.

Item number 5 -To appoint Shiri Naveen Paul as a non-executive independent director of the company.

Item number 6 - To appoint Srini and Parick as a non-executive director of the company and;

item number 7 - Rectification of the cost auditor's simulation.

The full resolutions along with the detailed explanatory statement as required is included in the notice circulated to the members. Now, I request Shri Vineet Kumar Chaudhary, Scrutinizer to the AGM to take the proceeding and brief about the voting process at the AGM.

Vineet K Chaudhary Thank you very much Mr. Vishnoi and to esteem the board and to stakeholders are participating in this meeting. E voting facility is open during the proceedings of the meeting. The members who have not casted their vote may log in on the page that is the e voting page which is available through the click options. They will find the three options there. One is the Favor; one other is the against and 3rd one is the abstain. They may like to choose. All those options and exercise their votes. E-voting facility is only again I'm repeating is available only for at the available only for the members who have not casted their vote, who have already casted their vote need not to cast because there would be duplication which we have to remove. We have to consider only one vote. So this facility will be open for the next 15 minutes after the conclusion of the meeting and maybe declared by the chairman. So with this sir, and they are to scrutinize after the voting process is completed, I will give my report accordingly. Thank you very much for the opportunity once again.

Nitin Vishnoi Now with the permission of the chair, I, I would like to open the question-and-answer floor for the speaker member to ask their questions or express their views. Before we start, please take note of the few things for the smooth question answer session. The session shall be facilitated by the moderator. Since each member is allotted 3 minutes to present their views or ask questions. I would request you to please keep your questions precise and to the point. If there is any connectivity issue from the speaker end the moderator shall unmute the next speaker. I will also like to inform that all the questions will be answered at the end of the session by the CFO of the company. So now I request the moderator to please unmute speaker number one, Mr. Sanjay Kathpal,

Sanjay Kathpal Good afternoon to good afternoon to management of and same as to my fellow shareholders. Myself Sanjay speaking from daily. I am giving congratulations to all employees of secretarial Department who had done marvellous job for conduct VC meeting. It is not an easy work, but they had done well to join us. Sir, I am having some questions. Question number 1st, what are the key areas identified by the company for growth in the coming years. Number 2nd, my question, what kind of margin are expected in medium to long term. Question number 3rd, you have said during investor meets that R & D is one of the key strengths of the company. Please throw some major lights on this. Thank you, sir.

Nitin Vishnoi Thank you Mr. Sanjay, your questions has been noted and will be answered at the end of the session. Thank you, Mr. Sanjay for joining the meeting. Now I will request the moderator to please unmute the speaker number two Mr. Vimal Jain.

Vimal Jain Being this AGM through this portal online. 1st of all, I would like to congratulate to the management and all the dedicated staff for giving the excellent results during the year 24, wherein the revenue has been increased and accordingly our profit has also been increased by around 50 %. Sir, under your good leadership, our equity capital has also been increased by many fold in a year and share is trading around two and a half Thousand, and latest around 3000 but my query is, has been covered most of my query has been covered in the given by the Chairman Sir, but now my query is that. What is the Capex plan for the current and the next financial year and the 2nd point is that we have a joint venture namely exhaust technology private limited. So in this regard, what performance we can expect from this joint venture, that is ETPL in this financial year 25 and as well as in the next coming two, three years. In the end, I would like to convey my thanks to the whole secretarial team to hold this excellent meeting at this Platform and as well as for providing the link to share my views in front of the eminent management. Thanks sir, and all the best to meet you next time with new heights of the share price. Thank you sir.

Nitin Vishnoi Thank you, thank you for your wishes and your points has been noted here and will be answered at the end of the session. Thank you. Now I request moderator to please unmute speaker number three, Mr. Raju Verma.

Raju Verma Hello, sir. My question is after the buyback, is there any plan of another buyback or big dividend payout? When can we expected acquisition in organic expansion? So, thank you so much. This is my two questions. Thank you.

Nitin Vishnoi Thank you; your questions has been noted and will be answered by the CFO. So now I request a moderator to please un-mute the speaker number four Mr. Narender Sing Chauhan.

Narender Chauhan Good afternoon, Chairman sir myself Narender Chauhan, joining this AGM from New Delhi. So, 1st of all, I would like to highlight that our company is performing very good. This clearly indicates the hard work of management and all the staff. Also, sir, I have like two very small questions to ask from the management. 1st one is, is there any plan to add some other products to the existing product basket and the 2nd one is like, I wanted to know, like where are the company's plus funds are parked and how the company is looking to invest them. Also, I would like to highlight that the secretarial department is very helpful in helping me to attend the meeting and solving my grievances at the earliest. Thank you very much sir. Have a nice day.

Nitin Vishnoi Thank you Mr. Chauhan and with this thank you to all the speaker members to ask their queries and now I will request, Mr. Puru Aggarwal, who is the president and group CFO of the company to please answer the queries raised by the speaker members.

Puru Aggarwal Good afternoon, everyone. I have noted all the questions and we'll take up one by one. The 1st question was that what are the key areas identified by the company for growth in the coming years. So you would be knowing that your company is always at the forefront of growth and innovation, and it is always our endeavour to be ahead of the industry. There are several levers for growth with us. One major lever is export market. We see huge potential in this market due to China one plus one. Then there is another growth lever in form of lightweighting. Then regulatory changes in terms of CV 5 and CV Trem five would be another growth lever. Then there is a three-to-four-liter CV segment, which is also a growth lever, and on top of all these. We have opportunities on the bank of good quantity of cash with us that we can do in organic expansion or acquisition. So that way we have number of growth levers in years to grow. The next question is, what kind of margin are expected in medium to long term. At Sharda Motor, we always make efforts to improve our performance consistently, our global approach and backward integration gives us an edge over others. While we don't provide any specific margin guidance in terms of percentage, however, directionally, you can expect that the company will make all efforts to maintain as well as improve the margins that it has achieved in past. The next question is, that please throw some light on the strength of R & D. So, this is one R and D technology and innovation has been a vital strength. We have state of the art R and D Centre in Chennai. To compliment that we have a design and development centre in Korea. Both the centres are well equipped and we have hundreds plus engineers with us who are totally focused on research and

development. We have filed various patents. Some of them already we have packed into. That way your company is fully capable of having designed two product types and all necessary laps and equipment's and international transportation. The next question is. What is the plan for current and next year. So, at Sharda Moto continuously, this is part of our SOP, we keep on evaluating and assessing our manufacturing capacity and infrastructure. In past few years you would have seen that we have done Capex in the tune of approximately 50 crores annually. In FY 23, we had put up a new facility in Pune, currently, we are putting another facility in Pune. This would be the 3rd plant there. For this year, we have a Capex allocation in the range of 50 to 60 crores. For next year also one can expect the same kind of Capex. We see it as incremental Capex, which we do ahead of our annual growth. In addition to that, if and as and when, if we do any big ticket Capex. We will timely inform these shareholders and stakeholders through exchanges. The next question is, on performance at what kind of performance one can expect from ETPL in FY 24 and next year. As you would know that has been improving his financial performance over the past years. In FY 24 - 25, we expect to continue the same trend and we expect it to contribute positively to the bottom line of Sharda motor. However, the amount would not be very big compared to the Sharda Motor's size of profitability. For next year also, we continue ETPL to grow in tandem with the industry growth. The next question is, after the buyback, is there any plan of another buyback or big dividend. We at Sharda Motor, continue to assess and evaluate options and opportunity to reward our shareholders at large. With that in mind, we had concluded a buyback recently. With regard to another buyback, we will be guided by the latest changes in tax regime. Having said so, as per dividend policy, we will continue to reward the shareholders. Keeping in a view, our financial performance. In addition to that, as you know that we are sitting on a pile of cash which we intend to utilize towards a meaningful acquisition. However, we do not have any intent to keep excess cash in books beyond a certain limit, so there also we would like to assess the option and opportunity to reward the shareholders suitably. The next question is how one can expect or when can one can expect acquisition. So, we at the Motor have been assessing and evaluating the options and opportunities available in this area, we have growth strategy in place and we also have product strategy in place. So as part of growth strategy, we are making this effort for right acquisition and as part of product strategy, we have identified, as you know that Sharda Motor is already very strong in power train products and also we have very good business in power train agnostic products also in terms of suspension. Further as part of strategy we have decided to build power train agnostic portfolio to our product portfolio. So in that direction we would be actively looking at the options as it comes to us. As you know, this is a long-drawn process and it takes time. We are not in hurry either. We as a responsible company, we will be doing it profitability and as in when we will do it, we will make sure it is EPS security too. We will keep you posted if anything comes up as and when. Next question is, that is there any plan to add some other products. So, in the regular course of the business the company keeps getting

nominations from our customers for development and this way we maintain and we enhance our business with them. Additionally, as per regulatory changes such as Trem five, we have been adding more products. In the of Trem five segments in particular, in line with our growth strategy, we will keep adding more products in identified segments in due course. The next question is where is the surplus fund parked. So, our treasury is guided by three major principles among others. One is protection of capital; another one is liquidity and 3rd one is maximized return post tax. So, in tender with these three principles, as of now, we have invested our surplus in our three AAA rated bondss, debt mutual funds, arbitrage mutual funds and liquid mutual funds. So, the questions that were posed in the meeting. In addition to that, our department have got some offline questions also. I would like to take up these questions also. So, the 1st question was that what are the main regulatory changes expected in your near future. So, as you would be knowing, BS 6.2 RD norms were operational from 1st April 2023. Your company successfully transitioned to these requirements and improved these margins profile. In next two years, we expect CV five and trem five norms to play out and that would be another growth opportunity for the company to grow its business and also enhance the market. The next question was. That what is the export outlook for current year. As I said in one of the questions that export is one of the key focus areas for the company. We see very strong growth in time to come from this segment. For more than a year we have been actively working in this area and we have developed a strong pipeline of opportunities. Recently, your company has hired professionals specifically for global businesses to drive the export growth safely, you can expect a very strong growth from the company in this area in years to come. The last question is, what is the plan for monetization of the land? You are right? We have a good chunk of land's and we are evaluating the options as it comes to us. However, we have not made any decision. As and when any right opportunity comes up to us, we will make a decision on it and we will keep you posted through exchanges or through such meetings. With that, all the questions I believe are addressed and thank you once again, back to Mr. Vishnoi.

Nitin Vishnoi Thank you, thank you Puru San and I hope that has covered most of the questions which have been raised by the shareholders and the speakers, the speaker members. So, with this I think this the formal business of this AGM is concluded. Now I request chairperson to please give us closing remarks for this meeting.

Kishan Parikh Thank you very much, my dear shareholders and stakeholders for attending this 39th AGM of the company. Thank you.

Nitin Vishnoi Thank you sir. Members may please note that the voting of on CDSL platform will remain available for the next 15 min from now. Therefore, the members who have not casted their vote yet are requested to cast their vote. Now, with this, now I formally declared this 39th AGM as concluded with a vote of thanks to the Chair. Thank you, sir. Thanks.