

Board's Report

Dear Members,

The Board of Directors take pleasure in presenting the twenty seventh (27th) Annual Report of the Company along with the Audited Financial Statements (Standalone and Consolidated) for the Financial Year ended on March 31, 2023.

1. FINANCIAL HIGHLIGHTS & PERFORMANCE

The financial performance of the Company (Standalone and Consolidated) for the Financial Year ended on March 31, 2023 is as under:

| | (INR in million) | | | |
|---|------------------|------------------|------------------|------------------|
| Particulars | Standalone | | Consolidated | |
| | 2022-23 | 2021-22 | 2022-23 | 2021-22 |
| Revenue from Operations | 24,686.24 | 19,390.48 | 26,755.95 | 21,306.40 |
| Other Income | 430.74 | 509.98 | 115.88 | 200.26 |
| Total Income | 25,116.98 | 19,900.46 | 26,871.83 | 21,506.66 |
| Total expenses | 20,137.10 | 15,865.46 | 21,747.09 | 17,317.60 |
| Profit before exceptional items and tax | 4,979.88 | 4,035.01 | 5,124.74 | 4,189.06 |
| Less: Exceptional Items | 33.69 | (132.70) | 33.69 | (132.70) |
| Profit before tax | 4,946.19 | 4,167.71 | 5,091.05 | 4,321.76 |
| Less: Total Tax Expenses | 1,065.29 | 632.32 | 1,138.08 | 706.33 |
| Profit for the period/year | 3,880.90 | 3,535.38 | 3,952.97 | 3,615.43 |
| Other comprehensive (loss)/ income for the period/ year | 14.47 | (11.52) | 74.82 | 28.70 |
| Total comprehensive income for the period/ year | 3,895.37 | 3,523.86 | 4,027.79 | 3,644.13 |
| Earnings per share (Basic) (in INR) | 6.64 | 6.08 | 6.76 | 6.22 |
| Earnings per share (Diluted) (in INR) | 6.63 | 6.08 | 6.75 | 6.21 |

Standalone

The standalone revenue (revenue from operations plus foreign exchange (net)) increased by 27% to INR 24,686.24 million for Financial Year 2023 from INR 19,390.48 million for Financial Year 2022, driven by ramp-up of sales volume for some of the new contracts especially in the electric vehicle (EV) segment in North American market and growth in sales in the Indian market in all three segments – passenger vehicles, commercial vehicles, and off-highway vehicles. Profit before exceptional items and tax in Financial Year 2023 was INR 4,979.88 million as compared to INR 4,035.01 million in Financial Year 2022, reflecting an increase of 23% from the previous year. Profit after tax (PAT) in the Financial Year 2023 was INR 3,880.90 million as compared to INR 3,535.38 million in Financial Year 2022, reflecting an increase of 10% from the previous year. The growth in PAT is lower due to certain one-time tax impact in the previous year's PAT.

Consolidated

The consolidated revenue (revenue from operations plus foreign exchange (net)) increased by 26% to INR 26,755.95 million for Financial Year 2023 from INR 21,306.40 million for Financial Year 2022, primarily driven by the start and ramp-up of sales volume for some of the new contracts especially in the EV segment in North American market and growth in sales in the Indian market

in all three segments – passenger vehicles, commercial vehicles, and off-highway vehicles. Profit before exceptional items and tax in Financial Year 2023 was INR 5,124.74 million as compared to INR 4,189.06 million in Financial Year 2022, reflecting an increase of 22% from the previous year. Profit after tax (PAT) in the Financial Year 2023 was INR 3,952.97 million as compared to INR 3,615.43 million in Financial Year 2022, reflecting an increase of 9% from the previous year. The growth in PAT is lower due to certain one-time tax impact in the previous year's PAT.

2. PERFORMANCE OF THE COMPANY AND INDUSTRY OVERVIEW

In Financial Year 2023, your Company continued its growth momentum by scaling new revenue and profitability benchmarks. Its consolidated revenue (revenue from operations plus foreign exchange (net)), EBITDA, and Profits (before tax and exceptional items) were INR 26,756 million, INR 6,958 million, and INR 5,123 million, respectively. The EV business that witnessed revenue growth of 33% over the previous year led the overall revenue growth. One of the key contributors to the battery electric vehicles (BEV) business growth was the increase in Traction Motor sales for the electric 2-wheeler segment. Non-BEV business also achieved 23% revenue growth, especially from the start and ramp-up of new programs in the North American market.

This performance was achieved against the headwinds of sharply higher inflation, geopolitical risks, rising interest rates, and slowing global economic growth. The shortage of semiconductors for the automotive industry started easing out slowly during the year, however, not achieving a full recovery. Global light vehicle production during the Financial Year 2023 remained negatively impacted by these supply chain constraints. As a result, global sales of automobiles have declined over the previous year, however there are sub-segments like hybrid and electric vehicles that continue to demonstrate strong growth.

While the supply chain disruption and raw material inflation intensified the challenges, your Company did not experience any interruption in the ability to supply systems and components and ensured that customers do not experience any disruption to their production lines. Apart from maintaining the revenue growth momentum during the year, your Company continued to drive business development and won 35 new programs during the Financial Year 2023, of which 12 were for EV Programs. As of 31st March 2023, your Company has 42 EV programs, out of which 10 EV programs are in fully ramped-up production, 10 are in ramp-up phase and 22 programs will undergo production in the Financial Year 2024 or later, depending upon customers' production schedules. With these new order wins, your Company's 10-year net order book grew by 16% during the year and currently stands at INR 215 billion.

In technology development also, your Company took a significant leap by adding four new products to its portfolio during the year. While we achieved a significant breakthrough in precision forming by developing net-shaped spiral bevel gears, we also developed a first-of-a-kind electronically locking differential for electric vehicles. The development of helical gears and rotor shafts brings us closer to developing an entire EV gearbox and thus increases our value addition in an electric vehicle.

The future of mobility is shifting towards higher and higher levels of automation, making vehicles more and more intelligent. According to a McKinsey report, by 2030, the ADAS sensors market will grow to USD 43 billion, dominated by radar sensors, which will contribute USD 14 billion. During the year, we took a big step in this direction by adding a new pillar of growth, 'Sensors and Software,' by signing a binding term sheet to acquire at least 54% stake in Novellic d.o.o. Beograd-Zvezdara, a Serbia-based leading provider of mmWave radar sensors, subject to successful negotiations, finalisation and execution of definitive agreements and regulatory approvals.

Continuing our focus on ESG, we published our first sustainability report in the year 2022 and set targets for many sustainable development goals. One of the most important targets is to achieve a 45% revenue share from electric vehicles by 2026. We have also set up a zero liquid discharge treatment system to treat the used die

lubricant for water recovery. This system recovers around 12,000 liters of water per day from 16,000 liters of used die lubricant, which was waste earlier and used to be disposed of through an authorized channel.

This was an eventful year for your Company. We participated in person in the Auto Component Show of the Indian Auto Expo 2023, where we showcased our entire technology roadmap which was well-liked by our customers. We also inaugurated our second-largest manufacturing plant in Chakan, Pune by shifting our existing facility in Pune.

For the future outlook, S&P Global Mobility forecasts global light vehicle sales to reach 83.6 million units in the calendar year 2023 and witness a 5.6% growth over the previous calendar year 2022. The auto industry continues to navigate supply chain challenges, and several markets face deteriorating economic conditions and fading pent-up demand.

3. MANAGEMENT DISCUSSION AND ANALYSIS

A detailed analysis of your Company's performance is discussed in the Management Discussion and Analysis Report for the Financial Year 2022-23, pursuant to the provisions of Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), which is presented as a separate statement forming part of this Annual Report.

4. CORPORATE DEVELOPMENTS

Acquisition of Novellic d.o.o. Beograd - Zvezdara

Your Company has agreed to acquire at least 54% share capital and voting rights in NOVELIC d.o.o. Beograd - Zvezdara (a company registered in Belgrade, Serbia) ("**Novellic**"), subject to successful negotiations, finalisation and execution of definitive agreements and regulatory approvals. In this regard, the Company has executed a binding Term Sheet on January 9, 2023 with the shareholders of Novellic.

Novellic is the world's leading self-sustaining provider of mmWave radar sensors, perception solutions, and full-stack embedded systems. Since past ten years of market presence, Novellic has built an extensive portfolio of mmWave radar sensors and perception solutions that enable off-the-shelf and customised products focused on autonomous driving and automation. Novellic also does full cycle development of electronics and software services based on its hardware-in-loop (**HIL**) systems, control systems, ECU hardware/software platform, annotation tools and other in-house platforms.

The successful completion of the acquisition of Novellic will add a new vertical into the products portfolio of the Company.

Disinvestment by Singapore VII Topco III Pte. Ltd.

During the year under review, Singapore VII Topco III Pte. Ltd. ("Singapore Topco") divested its entire remaining stake in the Company through bulk deal mechanism of the stock exchanges.

The Board of Directors expresses its support and appreciation for all the co-operation and support extended by Singapore Topco to the Company.

As on 31st March, 2023, 67% equity shares of the Company are held by more than 4,80,000 public shareholders and remaining 33% equity shares of the Company are held by Promoters and Promoter groups of the Company.

Inauguration of new Chakan Plant

During the year, the Company shifted its operations from its existing Pune plant at T-46, MIDC Bhosari Industrial Area, Pune - 411 026, India to a new bigger facility at Plot No. A-78/2, MIDC, Chakan Industrial Area Phase -2, Wasuli, Pune, Maharashtra, 410501. This plant manufactures driveline products for EV and non-EV applications and serve customers in India and globally.

5. TRANSFER TO RESERVES

The Board of Directors of the Company do not propose to transfer any amount to reserves.

6. DIVIDEND

The Board of Directors at their meeting held on May 3, 2023 has recommended payment of INR 1.53 (One rupee and fifty-three paise only) per equity share of Company having face value of INR 10 (Rupees ten only) each as final dividend for the Financial Year ended on March 31, 2023. The payment of final dividend is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

During the year under review, the Board of Directors of the Company at their meeting held on January 24, 2023 declared an interim dividend of INR 1.28 (One rupee and twenty-eight paise only) per equity share of the Company having face value of INR 10 (Rupees ten only) each. The interim dividend was paid to the shareholders on February 20, 2023.

The total dividend for the Financial Year 2022-23, including the proposed final dividend, amounts to INR 2.81 (Two rupees and eighty-one paise only) per equity share of INR 10 (Rupees ten only) each of the Company.

As per the Income Tax Act, 1961, dividends paid or distributed by the Company shall be taxable in the hands of the shareholders. Accordingly, the Company makes the payment of the final dividend from time to time after deduction of tax at source.

The abovesaid dividend declared is in accordance with the Dividend Distribution Policy of the Company. The Dividend Distribution Policy, in terms of Regulation 43A of the Listing Regulations, can be accessed on the website of the Company at <https://sonacomstar.com/policies-and-codes>

7. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

During the year under review, no amount was required to be transferred to the Investor Education and Protection Fund by the Company.

8. CHANGE IN SHARE CAPITAL OF THE COMPANY

Allotment of Equity Shares Under Employee Stock Option Scheme-2020

During the financial year under review and till the date of adoption of the Board Report, your Company has allotted 1,062,872 (One million sixty-two thousand eight hundred seventy-two only) equity shares of the Company having face value of INR 10/- (Rupees ten only) each fully paid up, to the eligible employees of the Company upon exercise of vested options, as granted to them, under the Sona BLW Precision Forgings Limited -Employee Stock Option Scheme 2020 ("ESOP Scheme-2020").

As a result, the paid-up share capital of the Company increased from INR 5,843,527,100 (Five billion eight hundred forty three million five hundred twenty seven thousand and one hundred only) consisting of 584,352,710 (Five hundred eighty four million three hundred fifty two thousand seven hundred and ten only) equity shares having face value of INR 10/- (Rupees ten only) each fully paid-up to INR 5,854,155,820/- (Five billion eight hundred fifty-four million one hundred fifty-five thousand eight hundred twenty only) consisting of 585,415,582 (Five hundred eighty-five million four hundred fifteen thousand five hundred eighty-two only) equity shares having face value of INR 10/- (Rupees ten only) each fully paid-up. The Equity Shares issued under ESOP Scheme -2020 shall rank *pari-passu* with the existing equity shares of the Company including dividend entitlement.

Applicable disclosures as stipulated under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") with regard to the ESOP Scheme are available on the Company's website at <https://sonacomstar.com/investor/annual-reports-and-returns>

The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.

9. CHANGE IN NATURE OF BUSINESS

During Financial Year 2022-23, there was no change in the nature of Company's business.

10. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

As at March 31, 2023, the Company has 4 (four) directly held subsidiaries and 5 (five) step down subsidiaries, the details of which is available on the website of the Company in Form MGT-7 at <https://sonacomstar.com/investor/annual-reports-and-returns>

Pursuant to Section 129(3) of the Companies Act, 2013 ('Act'), the Company has prepared the consolidated financial statements, which forms part of this Annual Report. Further, a statement containing salient features of Standalone Financial Statements of subsidiaries in Form AOC-1, as required under Rule 5 of Companies (Accounts) Rules, 2014 is attached to the consolidated financial statements of the Company and therefore not repeated in this report for the sake of brevity.

During the year under review, no company has become or ceased to be subsidiary, joint venture or associate of the Company.

In accordance with Section 136 of the Act, the Audited Financial Statements, including the Consolidated Financial Statements and related information of the Company and Audited Financial Statements of each of its subsidiaries, are available on the website of the Company viz. <https://sonacomstar.com/investor/subsidiary-companies-financial-statements>

Your Company does not have any material subsidiary as on March 31, 2023.

The policy for determining material subsidiaries, as approved by the Board, is uploaded on the Company's website and can be accessed at the web-link: <https://sonacomstar.com/policies-and-codes>

11. CORPORATE GOVERNANCE

Your Company is committed to benchmarking itself with the best national and international standards of Corporate Governance. Further, your Company has also in place the Legal Risk Management System tool mapping compliance database, policies and compliance framework implemented by M/s. Shardul Amarchand Mangaldas, the leading law firm of India ("**Compliance Framework**") which provides a bird's eye view of all statutory compliances applicable to the Company.

The Company is committed to pursue and adhere to the highest standards of Corporate Governance as set out by the Securities and Exchange Board of India (SEBI) and the Act. The report on the Corporate Governance as stipulated in Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is enclosed as **Annexure-A** and form part to this Annual Report.

12. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Board Diversity

In compliance with Regulation 19(4) read with Part D of the Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"), the Nomination and Remuneration Committee of the Board of Directors of the Company has devised a Policy to promote diversity on the Board of Directors which aims to ensure that the Board shall have an optimum combination of Executive, Non-Executive and Independent directors in accordance with requirements of the Act, Listing Regulations and other statutory, regulatory and contractual obligations of the Company. The Policy is available on the website of the Company at <https://sonacomstar.com/policies-and-codes>

The Company believes that a truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, race and gender, which will ensure that the Company retains its competitive advantage.

Board of Directors

As on March 31, 2023, Board comprises of eight directors, including four independent directors (including one-woman independent director), one executive director, and three non-executive directors. The brief profile of each director is available on the website of the Company at <https://sonacomstar.com/board-of-directors>

The Nomination and Remuneration Committee ("**NRC**") and the Board noted the following in their respective meetings 5 held on May 3, 2023:

Retirement of Mr. Ganesh Mani as Non-Executive Nominee Director of the Company

Mr. Ganesh Mani (DIN: 08385423), Non-Executive Nominee Director of the Company is liable to retire by rotation at the ensuing 27th Annual General Meeting ("**AGM**") of the Company and is eligible for re-appointment at the Annual General Meeting. The Company has received a request from Mr. Ganesh Mani expressing his unwillingness for re-appointment at the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and the Board at their respective meetings held on 3rd May 2023 took note of the same. Consequent to this, Mr. Ganesh will cease to be a director of the Company on the conclusion of the forthcoming Annual General Meeting.

The Board of Directors of the Company expressed its gratitude for the guidance and support provided by Mr. Ganesh Mani for the deliberation of the Board during his tenure as director of the Company.

In the opinion of the Board, all the directors, including the directors proposed to be appointed / re-appointed, if any, possess the requisite qualifications, Skills, experience and expertise and hold high standards of integrity.

The list of key skills, expertise and core competencies of the Board of Directors is provided in the Report on Corporate Governance forming the part of this Board's Report.

None of the Directors of the Company have resigned during the year under review.

Key Managerial Personnel

As on March 31, 2023, the Key Managerial Personnel ("KMP") of the Company as per Section 2(51) and Section 203 of the Act are as follows:

| Name of the KMP | Designation |
|------------------------|--|
| Mr. Vivek Vikram Singh | Managing Director and Group Chief Executive Officer |
| Mr. Rohit Nanda | Group Chief Financial Officer ("CFO") |
| Mr. Ajay Pratap Singh | Vice President (Legal), Company Secretary and Compliance Officer |

During the year under review, there were no changes in the KMP of the Company.

13. DECLARATION BY INDEPENDENT DIRECTORS

The independent directors on the Board of the Company have submitted requisite declarations to the Board that they fulfil all the requirements as stipulated in Section 149(6) of the Act and Regulation 16(1) (b) of the Listing Regulations.

All independent directors of the Company have affirmed compliance with the Schedule IV of the Act and Company's Code of Conduct for Directors and Senior Management.

All the Independent Directors of the Company have complied with the requirement of inclusion of their names in the data bank of Independent Directors maintained by Indian Institute of Corporate Affairs and they meet the requirements of proficiency self-assessment test.

The Directors have further confirmed that they are not debarred from holding the office of director under any SEBI order or any other such authority.

In the opinion of Board of Directors of the Company, independent directors on the Board of Company hold highest standards of integrity and are highly qualified, recognized and respected individuals in their respective fields. The Company has an optimum mix of expertise (including financial expertise), leadership and professionalism.

14. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

The remuneration paid to the Directors, Key Managerial Personnel and Senior Management is in accordance with the Remuneration Policy for Directors, Key Managerial Personnel and Other Employees ("**Remuneration Policy**") of the Company formulated in accordance with Section 178 of the Act and regulation 19 read with Schedule II of the Listing Regulations. Further, details on the same are given in the Corporate Governance Report which forms part of this Annual Report.

The Managing Director and Group CEO of the Company has not received any remuneration or commission from any of the subsidiary companies. Further, the Company doesn't have any holding company, hence, there does not arise a circumstance of any remuneration or commission from holding company.

Singapore VII Topco III Pte. Ltd. (Singapore Topco), the erstwhile holding company/ major shareholder (and promoter) of the Company had adopted an exit return incentive plan ("**ERI Plan**") pursuant to which Singapore Topco rewarded/will reward certain identified employees of the Company and/or its subsidiaries (including each of Key Managerial Personnel and Executive Director(s) who are not promoters of the Company) with cash rewards based on certain disposition event(s) in relation to its interest in the Company. These cash rewards were paid/ will be paid to such employees entirely by Singapore Topco (without any recourse or liability to the Company). None of the promoters, nominee director or shareholder of the Company, having significant influence, is beneficiary of the ERI Plan.

The Board of Directors and Shareholders of the Company had approved the ERI Plan, in its meeting held on August 6, 2021 and September 9, 2021 respective in compliance with regulation 26(6) of the Listing Regulations. Accordingly, Singapore Topco paid part of cash reward, to the identified employees (including the Managing Director and Group CEO) of the Company.

The Remuneration Policy of the Company is available on the website of the Company at <https://sonacomstar.com/policies-and-codes>

15. DISCLOSURE UNDER RULE 5(1) AND 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The disclosure pertaining to remuneration and other details, as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in a separate **Annexure-B1** forming part of this Report.

The statement containing names of top ten (10) employees in terms of remuneration drawn and the particulars of employees as required under section 197(12) of the Act read with rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is attached as **Annexure- B2** forming part of this Report.

16. BOARD EVALUATION

The criteria of evaluation of Board are based on "Guidance note on Performance Evaluation" issued by the SEBI on January 5, 2017, and in compliance with provisions of Act and Listing Regulations.

A structured questionnaire covering various aspects of the Board's functioning was circulated to individual directors, Committees, Board followed by feedback received through one-to-one interactions by the Chairperson of the NRC Committee and Chairperson of the Board with the directors being evaluated and suggestions for the further improvements based on feedback received.

The summary of the evaluation was presented to the Nomination and Remuneration Committee and the Board of Directors of the Company in their meeting held on March 24, 2023.

Evaluation of Committees

The performance evaluation of committees was carried out by the Board after seeking inputs from the committee members, on the basis of the criteria such as structure and composition of committees, fulfilment of the functions assigned to committees by the Board and applicable regulatory framework, frequency of meetings, adequacy of time allocated at the committee meetings, adequacy and timeliness of the agenda and minutes circulated, effectiveness of the Committee's recommendation to the Board etc.

Evaluation of Directors and Board

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of Individual Directors.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairperson of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Directors and Non-Executive Directors.

The evaluation of directors was based on, *inter-alia*, various criteria such as qualification and experience, fulfilment of functions as assigned, attendance at Board and Committee meeting, contribution to strategy and other areas impacting Company's performance, availability and attendance etc.

The evaluation of the Board was based on the criteria such as structure and composition of the Board, frequency

of meetings, adequacy of time allocated at the Board Meetings, adequacy and timeliness of the agenda and minutes circulated, functions of the Board, governance and compliance etc.

Evaluation of Independent Directors

The performance evaluation of Independent Directors was carried out by the Board of Directors based on various criteria, *inter-alia*, including attendance at Board and committee meetings, qualification, experience, ability to function as a team, commitment, roles performed and understanding of industry.

Feedback

The feedback and results of the questionnaire were collated, and consolidated report shared with the Board for improvements and its effectiveness. Broadly, the Directors have expressed their satisfaction with the evaluation process and the outcome. The Board also noted the key action points emerged from the process for implementation. A detailed update on the Board Evaluation is provided in the relevant section of the Corporate Governance Report.

Results of Evaluation

The outcome of such performance evaluation exercise was discussed at a separate meeting of the Independent Directors held on March 24, 2023 and was later tabled before the meeting of Nomination and Remuneration Committee and the Board of Directors of the Company held on the same day.

The Board of Directors expressed their satisfaction with the evaluation process. During the year under review, the Nomination and Remuneration Committee ascertained and reconfirmed that the deployment of "questionnaire" as a methodology, is effective for evaluation of performance of Board and Committees and Individual Directors. The overall performance of the Board, Committees, Independent Directors, Non-Executive Directors and Chairperson of the Board was positive.

17. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

All Independent Directors of the Company are familiarised with the operations and functioning of the Company at the time of their appointment and on an ongoing basis. The details of the training and familiarisation programme are provided in the Corporate Governance Report and is also available on the website of the Company at <https://sonacomstar.com/files/policy/familiarisation-programme-policy-bXLXH7.pdf>.

18. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Act (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), the Directors of the Company state that:

- i. in the preparation of the annual accounts for the financial year ended March 31, 2023, the applicable Accounting Standards have been followed, and there are no material departures from the same;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2023 and of the profits of the Company for the financial year ended March 31, 2023;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts for the financial year ended March 31, 2023, have been prepared on a 'Going Concern' basis;
- v. proper internal financial controls have been laid down by the Directors were followed and that such internal financial controls are adequate and operating effectively; and
- vi. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

19. DISCLOSURE ON COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AS PER SECTION 178 OF THE ACT

The Remuneration Policy for Directors, Key Managerial Personnel and Other Employees ("**Nomination and Remuneration Policy/Policy**") of the Company was adopted by the Board based on the recommendation of the Nomination & Remuneration Committee. The Policy sets out criteria to pay equitable remuneration to the Directors, KMP and other employees of the Company and to harmonise the aspirations of human resources with the goals of the Company.

While formulating policy relating to the remuneration of the directors, key managerial personnel and other employee, the Board has ensured that:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- c) remuneration of the directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The salient features of the Nomination and Remuneration policy of the Company are as follows:

- 1) The Nomination and Remuneration Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP and accordingly recommend to the Board his / her appointment to the Board;
- 2) The Nomination and Remuneration Committee shall consider qualifications and appointment for Independent Directors as per the provisions of the Act;
- 3) The Company shall ensure that the person appointed as Director/ Independent Director are not disqualified under the Companies Act, 2013, and rules made thereunder;
- 4) The Director/ Independent Director/ KMP shall be appointed as per the procedure laid down under the provisions of the Act, and rules made there under, or any other enactment for the time being in force;
- 5) The term/ tenure of the Directors shall be governed as per provisions of the Act and the Rules made there under, as amended, from time to time;
- 6) In case of re-appointment of Director(s), the Board shall take into consideration, the performance evaluation of director, engagement of the director and contribution in the deliberations of the Board.

This Policy is available on the website of the Company at the web link: <https://sonacomstar.com/files/policy/nomination-and-remuneration-policy-policy-GXCIWS.pdf>

20. EMPLOYEE STOCK OPTION

Employee Stock Option Scheme-2020

In terms of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended, from time to time, the Nomination and Remuneration Committee of your Board of Directors administer and monitor "Sona BLW Precision Forgings Limited-Employee Stock Option Scheme-2020" (**ESOP Scheme-2020**) of your Company.

The Nomination and Remuneration Committee has been designated as the Compensation Committee under the ESOP Scheme-2020. During the year under review, no fresh grants were made under the ESOP Scheme-2020.

The last and final vesting under the ESOP Scheme-2020 will occur on 1st October, 2023.

Applicable disclosures as stipulated under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“**SEBI SBEB Regulations**”) (wherever applicable) with regard to the ESOP Scheme are available on the Company’s website at <https://sonacomstar.com/investor/annual-reports-and-returns>

The Company has received a certificate from M/s. PI & Associates, Secretarial Auditor of the Company as required under Regulation 13 of SEBI SBEB Regulations and it confirms that the ESOP Scheme-2020 has been implemented in accordance with these Regulations. The Certificate is available for inspection during the AGM of the Company and is also placed at the website of the Company at <https://sonacomstar.com/investor/annual-reports-and-returns>

Employee Stock Option Plan - 2023

In terms of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and other application Regulations and the Companies Act, 2013 and based on the recommendation of the Nomination and Remuneration Committee (NRC), the Board of Director in its meeting held on May 3, 2023 has approved the Employee Stock Option Plan-2023 and recommended to the shareholders of the Company in the ensuing 27th Annual General Meeting of the Company.

The required disclosures of the Employee Stock Option Plan - 2023 is disclosed in the Notice of 27th Annual General Meeting of the Company, which is attached to this Annual Report.

21. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE ACT

Pursuant to Section 186 of the Act, disclosure on particulars relating to loans, advances, guarantees and investments form part of the standalone financial statements provided in Note 42 to the standalone financial statements of the Company.

22. DIVIDEND DISTRIBUTION POLICY

The Company has formulated and published a Dividend Distribution Policy which provides for the parameters to be considered for declaring/recommending dividend, circumstances under which the shareholders may or may not expect dividend. The policy is available on the website of the Company at <https://sonacomstar.com/files/policy/dividend-distribution-policy-policy-oW38wX.pdf>

23. SUCCESSION PLANNING

The Company believes that succession planning for the Board members and Senior Management is very important for creating a robust future for the Company. The Nomination and Remuneration Committee plays a

pivotal role in identifying successors to the members of the Senior Management and invests substantial time with the Managing Director & Group CEO on succession planning.

The Company has a Succession Planning Policy in place which intends to achieve the following:

- The business of the Company is not affected on account of interruptions caused due to superannuation or voluntary retirement or resignation or death or permanent incapacitation or sudden exit of any member of the Board, Executive Directors, Senior Management and other key employee covered under this Policy;
- To identify and create a talent pool of high potential personnel, who can be considered for appointment at the Board, Executive Directors, Senior Management and other critical positions and to groom them to assume such roles in the Company, whenever the need arises;
- To ensure timely and high-quality replacements for those personnel who are currently holding positions as above said.

24. DEPOSITS

During the year under review, the Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

25. MATERIAL CHANGES AND COMMITMENT AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

There have no material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which the Financial Statements relate and the date of this report.

26. RELATED PARTY TRANSACTIONS

All transactions with related parties were reviewed and approved by the Audit Committee and are in accordance with the Policy on Related Party Transactions, formulated and adopted by the Company. Omnibus approval from the Audit Committee is obtained for the related party transactions.

The Policy on Related Party Transactions, as required under the Listing Regulations, is available on the website of the Company at <https://sonacomstar.com/policies-and-codes>

All contracts/arrangements/transactions entered into by the Company during the year under review with related parties were in the ordinary course of business and on arm’s length basis in terms of provisions of the Act. Further, there are no contracts or arrangements entered

into under Section 188(1) of the Act, hence no justification have been separately provided in that regard.

The details of the related party transactions as per Indian Accounting Standards (IND AS) - 24 are set out in Note 36 to the standalone financial statements of the Company.

The Company in terms of Regulation 23 of the Listing Regulations regularly submits within the stipulated time from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified to the stock exchange. The said disclosures can be accessed on the website of the Company at <https://sonacomstar.com/investor/financial-information>

Form AOC-2 pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out in **Annexure-C** to this Report.

27. NUMBER OF MEETINGS OF THE BOARD

During the year under review, eight (8) meetings of the Board of Directors were held. The details of the meetings of the Board of Directors held and attended by the Board of Directors during the Financial Year 2022-23 are given in the Corporate Governance Report which forms part of this Report.

The Board of Directors have met quarterly and the gap intervening between two meetings was within the time prescribed under the Act and the Listing Regulations.

The details and attendance of meetings of the Board, its committees, the Annual General Meeting and Extra Ordinary General meeting are mentioned in the Corporate Governance Report, which forms part of this Report.

28. DOWNSTREAM INVESTMENT

During the Financial Year 2022-23, the Company has not made any downstream investment which tantamount to indirect foreign investment. Hence, the requirement of obtaining certificate from the statutory auditors under the extant Foreign Exchange Management (Non-debt Instruments) Rules, 2019 is not applicable.

29. AUDITORS AND AUDITOR'S REPORT

a. Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company, on the recommendation made by the Audit Committee, have appointed M/s. PI & Associates (CP No. 16276), as the Secretarial Auditor of the Company to undertake the Secretarial Audit for Financial Year 2023-24, based on consent received from M/s. PI & Associates.

The Secretarial Auditors' Report for the financial year 2022-23 does not contain any qualification, reservation or adverse remark. The Secretarial Audit Report is annexed herewith and forms part of this report and enclosed as **Annexure-D**.

b. Annual Secretarial Compliance Report

As per the regulation 24A(2) of the Listing Regulations, the Secretarial Auditor of the Company has provided the report on the applicable compliances of the Company for the financial year 2022-23. The Annual Secretarial Compliance Report obtained from the Secretarial Auditor of the Company has been submitted to the Stock Exchanges and is available on the website of the Company at <https://sonacomstar.com/investor/annual-reports-and-returns>.

c. Statutory Auditors

M/s. Walker Chandiook & Co. LLP, Chartered Accountants (FRN No. 001076N/N500013) were re-appointed as Statutory Auditors of the Company for the second term of 5 (Five) consecutive years, to hold office from the conclusion of 26th Annual General Meeting till the conclusion of 31st Annual General Meeting of the Company in terms of the provisions of Section 139 and 141 of the Act.

The Statutory Auditor's Report on standalone and consolidated financial statements for Financial Year 2022-23, does not contain any qualification, reservation, adverse remarks or observation and the same forms part of this Annual Report.

d. Cost Auditors

The Company has maintained cost records for certain products as specified by the Central Government under Section 148(1) of the Act. M/s. Jayaram & Associates, Cost Accountants (Firm's Registration No. 101077), are in the process of carrying out the cost audit for applicable products during the financial year 2022-23.

The Board of Directors of the Company, based on the recommendation of the Audit Committee at its meeting held on May 03, 2023 have appointed M/s. Jayaram & Associates, as the Cost Auditors of the Company for the Financial Year 2023-24 under section 148 of the Act. M/s. Jayaram & Associates, being eligible, have consented to act as the Cost Auditors of the Company for the financial year 2023-24.

The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of Audit Committee and in terms of the Act and rules made/framed thereunder and accordingly, requisite resolution for ratification of remuneration of the Cost Auditors by the members

has been set out in the Notice of the 27th AGM of the Company.

e. Internal Auditors

The Board of Directors have in their meeting held on May 03, 2023, has appointed M/s. BDO India LLP (Firm Registration No. MCA: AAB-7880), as Internal Auditors of the Company for the Financial Year 2023-24.

30. INTERNAL CONTROL SYSTEM

The Company has in place internal control system, which is commensurate with its size, scale and complexities of its operations.

The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Audit Committee of the Board of Directors is periodically apprised of the internal audit findings and corrective actions are taken accordingly. Significant audit observations and corrective actions taken by the management are presented to the Audit Committee of the Board. For more details, refer to the 'internal control systems and its adequacy' section in Management's Discussion and Analysis Report, which forms part of this Annual Report.

31. REPORTING OF FRAUD

During the year under review, none of auditors have reported any instances of fraud committed in the Company by its officers or employees to the Audit Committee, under Section 143 (12) of the Act.

32. CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the Financial Year 2022-23, the Company has spent INR 28.53 million towards CSR expenditures and INR 2.10 million towards administrative expenses and remaining unspent amount for ongoing projects of INR 11.55 million was transferred to unspent CSR account of the Company. During the year under review, the CSR initiatives of the Company mainly focused under the CSR intervention 'Sona Comstar- Samridh Bharat Program' (promotion of education) and 'Sona Comstar- Saksham Bharat Program' (promotion of innovation) during the year under review.

The Board of Directors of the Company amended the CSR Policy of the Company to re-classify the existing CSR interventions/Pillars by carving out the focus on women empowerment and green and clean initiatives under separate pillars. The two new pillars are: (a) Sona Comstar- Swachh Bharat Program, which will focus more

on environmental sustainability, conservation of natural resources and ecological and (b) Sona Comstar- Stree Shakti Bharat Program which will focus more on women empowerment. The CSR Policy of the Company is available on the website of the Company at <https://sonacomstar.com/investor/corporate-social-responsibilities>.

The Company's CSR Policy statement and annual report on the CSR activities undertaken during the financial year ended March 31, 2023, in accordance with Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("CSR Rules"), are set out in **Annexure-E** to this Annual Report.

The Company has voluntarily engaged M/s Ingovern Research Services Private Limited and Bluesky Sustainable Business LLP an (Independent Agency) to conduct the impact assessment of the CSR initiatives undertaken for the Financial Year 2022-23. The synopsis of the Impact assessment report is attached as **Annexure-L** of this report and also available on the website of the company at <https://sonacomstar.com/files/documents/csr-impact-assessment-report-fy2022-23-document-LrurBI.pdf>

33. AWARDS AND RECOGNITIONS

Your Company has received the following recognitions/awards during the period under review:

| S. No. | Award Category | Awarded By |
|--------|---|--|
| 1. | 2021-22 Vision Award | League of American Communications Professionals LLC (LACP) |
| 2. | National CSR Summit & Award, 2022 (Gold- Innovation Support) | Vision India Forum |
| 3. | 7 th ICSI CSR Excellence Awards – Certificate of Recognition | ICSI (Institute of Company Secretaries of India) |
| 4. | Great Place To Work Certificate | Great Place To Work® Institute India |
| 5. | CII Industrial Innovation Awards 2022 – Top 50 Innovative Companies | CII (Confederation of Indian Industry) |
| 6. | India Green Manufacturing Challenge 2021-22 – Silver Medal | IRIM (Indian Research Institute for Manufacturing) |
| 7. | Zero PPM Supplier for FY22-23 Q1 | Indian OEM of PVs, CVs & EVs |
| 8. | Best Quality Performance in Forgings – Platinum Award | Indian Tier 1 Supplier for CVs |
| 9. | Leverage the Core 2021 | Global Tier 1 Supplier for PVs, CVs, OHVs & EVs |
| 10. | Overall Performance for the year 2021-22 | Indian OEM of PVs |
| 11. | Best in Class Quality, New Product Development & Delivery Performance in FY22 | Global OEM of OHVs |

34. RISK MANAGEMENT

Pursuant to Section 134(3) (n) of the Act and Regulation 17(9) of Listing Regulations, the Company has formulated and adopted a Risk Management policy. The primary

objectives of the policy include identification and categorisation of potential risks, their assessment and mitigation and to monitor these risks.

The Board has entrusted the Risk Management Committee ("**RMC**") with overseeing the processes of identification, evaluation and mitigation of risks. The RMC *inter alia* periodically reviews the organisational risks that are spread across operational, financial, technological and environmental spheres and provide guidance to the management team. The outcome of the meetings of RMC are reported to the Audit committee of the Board.

Your Company is committed to protect the interests of its customers, stakeholders, investors, shareholders, employees and each person or entity with whom it is associated with. Towards this goal, your Company will further strengthen the internal processes and evaluate even more innovative ways to blunt the risk impact. The details of the RMC along with its charter are set out in the Corporate Governance Report, forming part of this Report. The Company has designated Mr. Rohit Nanda, Group CFO as the Chief Risk Officer of the Company.

Mitigation plans to significant risks are well integrated with functional and business plans and are reviewed on a regular basis by the Management periodically.

The Risk Management Policy of the Company is available on the website of the Company at <https://sonacomstar.com/files/policy/risk-management-policy-policy-NTCFLh.pdf>

35. VIGIL MECHANISM

Your Company is committed to highest standards of professionalism, honesty, integrity, transparency and ethical behaviour. Pursuant to the provisions of Section 177(9) & (10) of the Act read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014, and the Listing Regulations, the Board of Directors have approved the Policy on vigil mechanism/whistle blower which provides mechanism to its directors, employees, vendors, customers, business partners/associates or any third party and other stakeholders to raise concerns about any wrongdoing in the Company and provide for adequate safeguards against victimisation of employees and other persons who avail this mechanism.

The Company has also designated an email id that is speakup.sbpl@sonacomstar.com where the whistle blower can report the concerns or wrong doings.

The mechanism under the policy has been appropriately communicated within the organisation. The Audit Committee of the Board reviews the functioning and implementation of the Whistle-blower mechanism, on quarterly basis. No person was denied access to the Audit Committee of the Company.

During the year under review, the Company has not received any complaints under the said mechanism.

During the year under review, the Whistle Blower Policy was amended, and the Policy has been appropriately communicated within the Company across all levels and is available on the website of the Company at the link: <https://sonacomstar.com/files/policy/whistle-blower-policy-policy-MUwqe2.pdf>

36. CYBER SECURITY AND DATA PRIVACY

With increasing digitalisation, rise in corporate cyber-crimes, high cost of data breaches and evolving regulations, businesses are placing greater focus on detecting, preventing, and combating information security threats. The Company identified its information security risks and is committed to safeguarding business information from internal and external threats. It is also committed to upholding stakeholders' right to privacy and, as a responsible corporate, strive to protect their personally identifiable information. The Company has established robust policies and processes on information security.

The Company has implemented an Information Security policy, which provides management direction and guidance to ensure availability, integrity and confidentiality of information and information systems across locations.

37. ANNUAL RETURN

In accordance with the provisions of Act, the Annual Return of the Company in the Form MGT-7 is available at: <https://sonacomstar.com/investor/annual-reports-and-returns>

38. COMPLIANCE WITH SECRETARIAL STANDARDS

The applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) have been duly complied by the Company.

39. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS

No significant and material order has been passed by any regulator or court or tribunal, which might impact the 'going concern' status and Company's operations.

40. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is provided in the **Annexure-F** forming part of this Report.

41. HUMAN RESOURCES

Our Company has excelled across all five dimensions of High-Trust, High-Performance Culture - Credibility, Respect, Fairness, Pride, and Camaraderie. On the employee satisfaction front, the Company earned the Great Place To Work® Certification™ from the Great Place To Work. The coveted recognition reinforces your Company's standing as one of India's leading automotive technology employers.

Sona Comstar is committed to creating fair, inclusive, and innovative working environments where employees can learn, develop and achieve our full potential. As an innovation and people-driven Company, our success is driven by the success and satisfaction of our employees, customer, and shareholders. We will continue to invest in our people and nurture a culture that promotes fairness, integrity, transparency, and collaboration.

Our customers see us as a technology leader with excellent products. We have invested heavily in creating new capabilities, skills, processes, and systems to meet our demands on committed dates with a high level of responsiveness and flexibility.

Our commitment towards Safe work culture and TQM remains uncompromised. We are continuously strengthening the goal deployment through managing points and checking points, adopting the problem-solving approach, and working towards identifying, eliminating unsafe situations so that the employees continue to feel a safe work environment.

42. POLICY ON PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

As per the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ('POSH'), the Company has formulated a comprehensive Policy on Prevention of Sexual Harassment at Workplace ("policy") for prevention, prohibition and redressal of sexual harassment at workplace and an Internal Committee has also been set up to redress any such complaints received.

The Company's goal is to create an open and safe workplace for every employee to feel empowered, irrespective of gender, sexual preferences, and other factors, and contribute to the best of their abilities. Company is committed to providing a safe and conducive work environment to all of its employees and associates.

The Company periodically conducts sessions for employees across the organisation to build awareness about the Policy and the provisions of POSH. The employees are sensitised from time to time in respect of matters connected with POSH.

During the year under review, no complaints has been received by the Company under the POSH.

Policy for prevention of Sexual Harassment at workplace ('POSH Policy') of your Company can be viewed at the link: <https://sonacomstar.com/files/policy/posh-policy-policy-s7Hmw2.pdf>

43. SUSPENSION OF SECURITIES OF THE COMPANY

The securities of the Company have not been suspended from trading in any of the stock exchanges.

44. BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORT (BRSR)

A detailed Business Responsibility & Sustainability Report in terms of the provisions of Regulation 34 of the Listing Regulations is attached herewith as **Annexure-G** to the Annual Report.

45. CAUTIONARY STATEMENTS

The Annual Report including those which relate to the Directors' Report, Management Discussion and Analysis Report may contain certain statements on the Company's intent expectations or forecasts that appear to be forward-looking within the meaning of applicable securities laws and regulations while actual outcomes may differ materially from what is expressed herein. The Company bears no obligations to update any such forward looking statements. Some of the factors that could affect the Company's performance could be the demand and supply for Company's product and services, changes in Government regulations, tax laws, foreign exchange volatility etc.

46. ACKNOWLEDGEMENT

The Board of Directors places on record its sincere gratitude and appreciation for all the employees of the Company. Our consistent growth was made possible by their hard work, cooperation, and dedication during the year.

The Board of Directors acknowledges and places on record their sincere appreciation to all stakeholders, customers, vendors, banks, Central and State Governments, and all other business partners, for their continued co-operation and for the excellent support received from them.

The Board also wishes to place on record its appreciation to the esteemed investors for showing their confidence and faith in the management of the Company.

By order of Board of Directors
For **SONA BLW Precision Forgings Limited**

Place: Gurugram
Date: May 03, 2023

Sunjay Kapur
(Chairperson and Non- Executive Director)