

CFO COMMUNIQUE

Charging ahead with resilience

Fiscal 2021 also turned out to be a historic one for Sona Comstar, as we navigated cautiously through the uncertain times. Even at the bleakest of moments, the strength of our balance sheet gave us the confidence that we would be amongst the first ones in our industry to come out of this global crisis.

Dear Stakeholders,

Fiscal 2021 was a historic one in every sense. It began with the onset of a global pandemic, unprecedented in scale and impact in nearly a century. Countries across the globe imposed lockdowns as we stared at one of the greatest economic uncertainties of the modern times.

What we have witnessed thereafter is a testament to the uncanny ability of the human race to bounce back from the greatest set-backs. Despite the sad loss of lives to COVID-19 across the globe, we are now learning to live with the virus and perhaps there's no choice in the immediate future either. Multiple vaccines have been developed and rolled out at a global scale within a miraculously short span of time, potentially saving millions of lives. Though the virus continues to haunt various parts of globe, the confidence with which we are facing it now is far greater than it was less than a year ago.

Automotive industry, to begin with, was thought of as one of the potentially big losers in this new environment since people suspected a lower need of mobility due to lockdowns and propagation of people working from home permanently. But as we have learnt to live with the virus and people are trying to lead their lives in the new normal, an increasing need is being felt for personal mobility which amongst other factors is driving up the demand for automobiles.

Key developments for us:

Fiscal 2021 also turned out to be a historic one for Sona Comstar, as we navigated cautiously through the uncertain times. Even at the bleakest of moments, the strength of our balance sheet gave us the confidence that we would be amongst the first ones in our industry to come out of this global crisis. In retrospect, this confidence was not unfounded. We eventually ended the year registering our best performance both in terms of Revenue and Profit after tax (adjusted for exceptional items).

By upgrading our long-term rating to AA-, India Ratings validated our strong fundamentals and robustness of our business model. The merger of Comstar India, acquired on 5th July 2019, with Sona continues to be a work in progress as the matter is under consideration of NCLT Chandigarh. We also embarked on an important journey during the year to get listed, which was completed successfully on 24th June 2021. Our mission is to be India's most respected and valuable Auto Technology company and listing is an important milestone in this journey of ours. We now have 32.7% public shareholders which casts an even greater responsibility on us.

This was also a year in which our investments and belief in our EV focussed business started to unfold at scale. Our Revenue from Sale of Goods for EV vehicles surged to 14% of the total Revenue from merely 2% in the year before. We also started to manufacture and

supply BLDC motors during this year after our intensive R&D efforts. Our total R&D spend for Fiscal 21 was 5.8 % of our revenue, however going forward it will be driven by the R&D projects we undertake from time to time and, therefore, may not be consistent across the years. BLDC motors business is small as of now but the incentives from Central and State Governments coupled with the necessary regulatory push are expected to bring 2 wheeler EV market in India to life over the next few years. We intend to continue our focus on growth in our EV revenue and global market share in various products that we manufacture.

The Company reported a revenue of INR 15,663 million in Fiscal 2021 against INR 10,380 million in Fiscal 2020, showing a growth of 51%. Although part of this increase was caused by inclusion of the revenue from Comstar entities in Fiscal 2020 from the date of their acquisition on 5th July 2019, yet the revenue from sale of goods grew at a healthy 28% even after adjusting for this abnormality. We also managed to improve

our EBITDA margin compared to the previous year. However our PAT came in lower at INR 2,152 million in Fiscal 2021 compared to INR 3,653 million because of exceptional gain of INR 2368 million and certain one-time tax adjustments in Fiscal 2020. It was also adversely impacted by an exceptional expense of INR 139 million on account of IPO expenses during Fiscal 2021. We generated INR 1,427 million Free Cash Flow from operations and deployed INR 2,189 million in Capex during the year. We had a net consolidated debt of INR 3,387 million, as on 31st March 2021, which is about 0.8x times our EBITDA.

Looking ahead with cautious optimism

Foreseeable macro headwinds for the automotive industry are the risks arising from resurgence of COVID-19, semi-conductor chip shortage and continued rise in metal prices. The biggest tailwinds are expected to emanate from the massive fiscal and monetary stimulus measures rolled out by the Governments worldwide and the low base of automobile sales in 2020. Industry trends which could potentially be supportive of the Company's growth are intensified pace of electrification of light vehicles across US, Europe, and China, acceleration in sale of EV 2 and 3 wheelers in India and the increasing trend towards multi axle vehicles. The Company has won 58 new orders from 27 customers till 31st March'21 (including 15 EV orders from 10 customers), out of which 24 orders (including 8 EV orders) were already under commercial production as at end of last fiscal year.

Our order book and performance in Fiscal 2021 in spite of the pandemic, give us a lot of confidence about facing the future. So without being complacent, we are cautiously optimistic of what lies ahead for us. Last but not the least, it is important for us to express our gratitude to all our employees who have worked tirelessly to ensure the continuity of our business during this unprecedented year. I also thank all our shareholders for bestowing their faith in our exciting journey ahead.

Rohit Nanda
Group CFO

