

MANAGEMENT DISCUSSION AND ANALYSIS

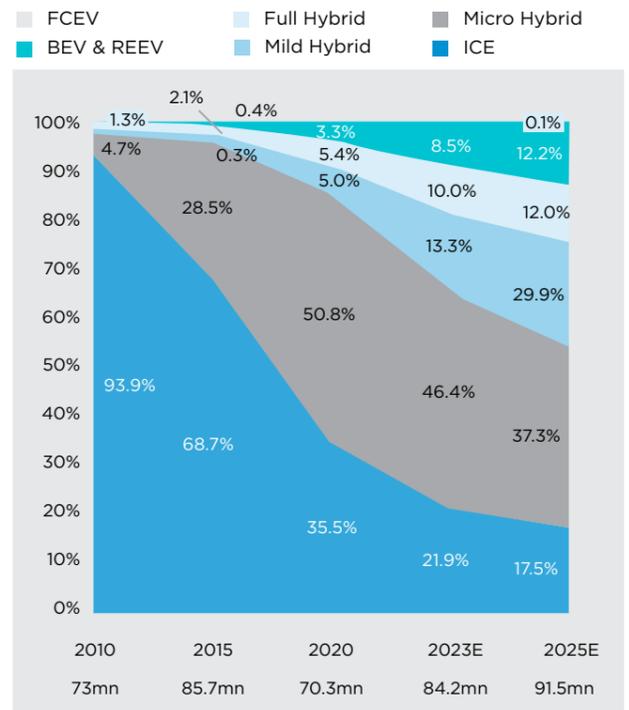
INDUSTRY OVERVIEW

Electrification - The biggest emerging trend

Electrification is clearly emerging as the biggest trend in the automobile industry. Driven by stringent emission and fuel economy (CAFE) regulations across the globe, pure ICE vehicles will no longer be a viable propulsion choice for passenger vehicles. Hence, pure ICE will continue to decline. Ricardo expects the share of pure ICE vehicles in CY 2025 to be approximately 18% of the total global production.

Depending of the severity of CAFE norms across the regions, OEMs have a choice of micro (12V start-stop), mild/full hybrids, BEVs (Battery Electric Vehicles) and FCEVs (Fuel Cell Electric Vehicles) to meet corporate average fuel economy.

Global Propulsion Split - Passenger Vehicle Production Volume



Ricardo expects that Micro hybrid (12V Start-Stop) to be a standard offering across passenger vehicles and hence will account for significant share (approximately 38%) of the propulsion split in CY 2025. China and Europe will see a decline in micro hybrids in CY 2025 as the technology will not offer enough benefit to meet stricter FE.

Mild and full hybrids are expected to account for approximately 32% of the propulsion split in CY 2025 with mild hybrids being the dominant technology. Mild hybrids offer the quickest route to electrification with limited complexity (compared to full hybrid) and substantial fuel economy benefit. Approximately 80% of mild hybrid volumes in CY 2025 will be in Europe and China.

Among the available propulsion technologies BEV has been the fastest growing at CAGR of approximately 46% between CY 2015 to 2025. As fuel economy norms get more stringent over time and countries introduce legislation to ban fossil fuel vehicles, the proportion of BEVs will increase over time. It is expected to grow at approximately 36% CAGR between CY 2020 to 2025. In CY 2025 Ricardo expects BEVs to account for approximately 12% (approximately 11 million units) of the global production.

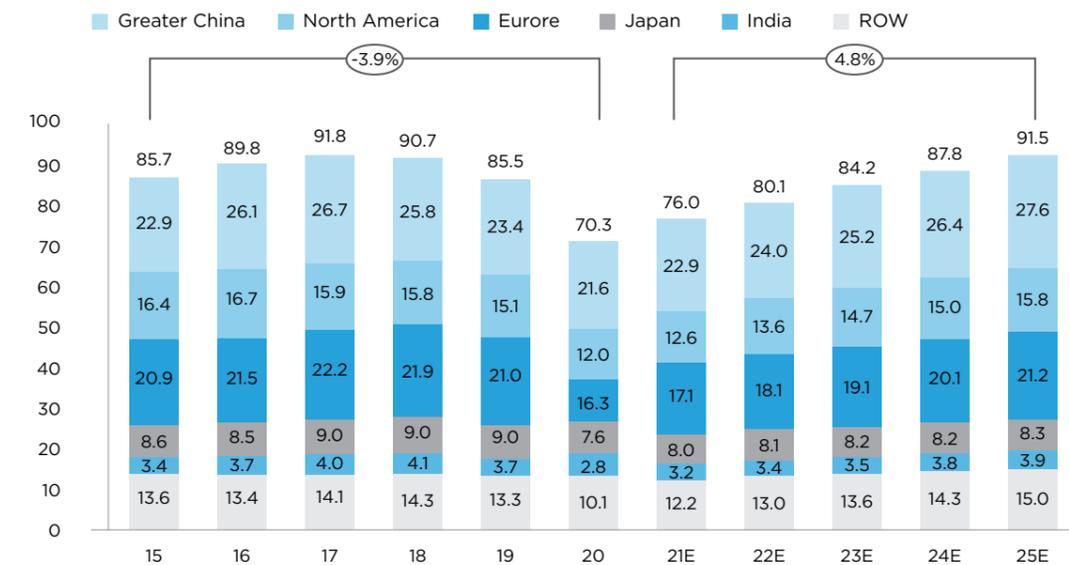
In CY 2020, global production of BEVs (Battery Electric Vehicle) stood at approximately 2.3 million units. Tesla accounted for approximately 21% of the share while Renault Nissan & Volkswagen accounted for approximately 12% and approximately 10% respectively. For the next five years, automakers have announced plans to release more than 200 new electric car models.

Electrification in India is expected to be led by three-wheelers and two-wheelers; with electric two-wheelers expected to grow at a CAGR of 70% to 74% between FY 2021 to 2026 and electric three-wheelers to grow at a CAGR of approximately 46% between CY 2021 and CY 2025.

Global light vehicle market

Global light vehicle production has remained flat between 2015 and 2019, according to the Ricardo report (Refer Note 1). However, vehicle production declined by approximately 18% in CY 2020 due to the COVID-19 pandemic. Countries across the world have resorted to unprecedented fiscal and monetary stimulus to cushion the economic impact of COVID-19 and to speed up recovery. This is expected to support recovery in production and sale of light vehicles across major markets.

Global Light Vehicle Production



Source: OICA - International Organisation of Motor Vehicle Manufacturers, Ricardo Analysis

The CY 2021 growth is expected to be primarily driven by the Chinese market. Overall global volumes are expected to reach approximately 92 million in CY 2025 with China, Europe and North America continuing to account for approximately 70% of the global production volumes.

Note 1: The information in this section is derived from the report titled "Assessment of Indian market potential for specific precision forged and electrical components" dated January 2021 (the "CRISIL Report"), prepared by CRISIL Research, a division of CRISIL Limited ("CRISIL") and report titled "Global and Indian Automotive Market Overview" dated 15th February 2021 prepared by Ricardo ("Ricardo Report" and together with the CRISIL Report, "Industry Reports"). We commissioned the Industry Reports, which are paid reports, for the purpose of confirming our understanding of the industry exclusively in connection with the IPO in June 2021.

COMPANY OVERVIEW

Sona BLW Precision Forgings Limited (SBPF) was incorporated in 1995 as Sona Okegawa Precision Forgings Limited at New Delhi, India. In 2013, the Company was renamed Sona BLW Precision Forgings Limited.

SBPF is among India's leading automotive technology companies. It designs, manufactures and supplies highly-engineered, mission-critical automotive systems and components such as differential assemblies, differential gears, conventional and micro-hybrid starter motors, BSG systems, EV traction motors (BLDC and PMSM) and motor control units to automotive OEMs across US, Europe, India and China, for both electrified and non-electrified powertrain segments. The Company has nine manufacturing and assembly facilities across India, USA, Mexico and China, of which six are located in India.

In CY 2020, the Company was among the top ten players globally in the differential bevel gear market on the basis of overall volumes of differential bevel gears supplied to PVs, CVs and tractors. It was also among the top ten global starter motor suppliers based on their exposure to the PV segment and market share in CY 2020.

The Company is a global supplier and around 75% of its revenues are dependent upon international geographies. It is also one of the two largest exporters of starter motors from India.

Management Discussion and Analysis

With a strong focus on research and development (“R&D”), it develops mechanical and electrical hardware systems, components as well as base and application software solutions, to meet the evolving demands of its customers. It is one of the few companies globally, with the ability to design high power density EV systems handling high torque requirements with a lightweight design, while meeting stringent durability, performance and NVH specifications, enabling EV manufacturers to enhance the vehicle range, acceleration and overall efficiency.

SBPF is a technology- and innovation-driven Company guided by an experienced Board of Directors and a professional management team with expertise in the automotive industry and a proven track record of performance.

With product offerings spanning across all types of conventional and electrified powertrains, the Company is one of the few automotive technology manufacturers that are well-positioned to gain from conventional platforms as well as the evolving high growth industry trend of electrification.

OPPORTUNITIES

“Electrification” – Capturing market opportunity in the growing EV space

The global trend towards electrification of vehicles continues to expand. According to the Ricardo Report, the key drivers of vehicle electrification include climate change and public awareness of the importance to reduce CO₂ emissions and other pollutants, ban on fossil fuel vehicles by some countries, government support and fiscal incentives that support the trend towards vehicle electrification, stringent emission and fuel economy norms introduced by several countries to combat the impact of climate change and encourage alternate cleaner fuels, increasing investment in charging infrastructure for EVs and decline in battery price contributing towards adoption of EVs. Among the available propulsion technologies, BEV has been the fastest growing at CAGR of approximately 46% between CY 2015 to 2020 and is expected to experience increased market penetration growing at a CAGR of approximately 36% between CY 2020 to 2025, according to the Ricardo Report. Our product offerings span all types of electrified powertrains. Our commitment and focus towards ESG will continue increasing going forward

as we plan to increase the EV share of our revenue. We seek to continue to cement our commitment and focus towards compliance with ESG norms, as we plan to increase the share of our income derived from sale of goods in the EV market. As part of our growth strategy, we plan to increase our market share in both the Indian and overseas markets by catering specifically to EV OEMs, across three product groups as follows:

- **Differential assemblies and differential gears:** The Ricardo Report states that according to the Deloitte 2019 Global Automotive Supplier Study, electric drivetrain is expected to be the fastest growing segment of the entire automotive supply chain and will grow approximately four times from US 14 billion in 2018 to US 56 billion in 2025 globally. Anticipating this market shift to electric mobility, we have developed our differential assemblies and differential gears with core design features that meet the demands of increasing vehicle electrification such as high power density, improved fuel efficiency and reduced weight. We have been supplying differential gears in the global EV market since April 2016 and differential assemblies since 2018, and according to the Ricardo Report, our global market share of BEV differential assemblies in CY 2020 was 8.7%. These efforts have led to new business awards and further position us to compete in the global marketplace. As at 31st March 2021, we had 11 EV programme awards for production of differential assemblies and differential gears for supply to EV manufacturers across North America, Europe, China and India, of which five programmes are currently under regular production. We expect to benefit from the growing trend towards electrified drivetrains by further increasing our customer base and expanding our share of business with existing EV customers.
- **48V BSG motor:** OEMs and suppliers are competing to develop and market new and alternative technologies that can meet future Corporate Average Fuel Efficiency (“CAFÉ”) norms, leading to a growth in the hybrid vehicle market. The global mild hybrid market is expected to grow by approximately four times by CY 2025, accounting for approximately 20.9% of the propulsion split for PVs in CY 2025, according to the Ricardo Report. Key global markets such as China, Europe and US have made significant commitments through

stringent fuel economy and emission norms. According to the Ricardo Report, proportion of BEVs is also dictated by the NEV credit regime in the China market and China’s ambition to lead the global automotive electrification. In China, the share of mild hybrids is expected to grow from an insignificant share to approximately 25% in CY 2025, according to the Ricardo Report. We are responding, in part, to such shift in market demand, through the development of our 48V BSG motor for hybrid PVs with features that enable fuel savings as well as reduction in CO₂ emissions which will help to meet the CAFE norms. We have successfully completed vehicle level demonstration of the 48V BSG system to selected global OEMs, and it is currently undergoing rigorous testing in compliance with international specifications. We aim to remain at the forefront of providing technologically advanced hybridisation solutions through expanding our customer base for increasing the sales of our BSG hybrid motors globally.

- **EV traction motors (BLDC and PMSM) and motor control units:** With the growing market shift towards electrification of vehicles, the demand for hybrid and battery electric PVs, electric two-wheelers and electric three-wheelers are growing rapidly in India and globally. According to the Ricardo Report, the full hybrid market is expected to grow by approximately three times in terms of absolute volume by CY 2025, accounting for approximately 12.0% of the propulsion split for PVs in CY 2025 and the BEV market is expected to grow by around five times by 2025, accounting for approximately 12.2% of the propulsion split for PVs in CY 2025. Further, according to the CRISIL Report, the two-wheeler EV sales are expected to expand at a CAGR of 70% to 74% over FY 2021 to 2026 and according to Ricardo Report, the electric three-wheeler segment is expected to grow at a CAGR of approximately 46% between CY 2021 and 2025 to reach 400,000 units in sales. Since we design and manufacture traction motors and motor control units for electric vehicles, with PMSM motors for EV and hybrid PVs and BLDC motors for electric two-wheelers and electric three-wheelers, we are well-positioned to benefit from the expected growth in the Indian EV market across all vehicle categories. We pioneered the

launch and commenced supply of BLDC motors for Indian electric two-wheelers and electric three-wheelers since November 2020. As part of our growth strategy to establish market leadership in the Indian EV segment, we aim to further increase our customer penetration and acquire new customers for our traction motors and controllers.

Increasing market share globally

- **Achieving significant global share from existing systems and components:** We have increased our global market share of differential gears and starter motors to 5.0% and 3.0%, respectively in CY 2020 from 4.5% and 2.5%, respectively in CY 2019 and our global market share of BEV differential assemblies was 8.7% in CY 2020, according to the Ricardo Report. As part of our strategy, we intend to penetrate the European market for supplying differential assemblies and differential gears, where we currently have limited market share for our driveline products. We also plan to expand our presence in China for supply of our micro-hybrid starter motors for PVs and LCVs as well as our 48V BSG systems for hybrid PVs, as we expect to benefit from China’s growing position as a leading market for EV manufacturers. As part of our growth strategy, we set-up an assembly plant in China in 2015 and Mexico in 2017, with an aim to capture higher market share in the Chinese and North American markets.
- **Benefiting from the industry trend towards multi-axle vehicle drives in India:** The automotive industry, in India, as well as globally, is experiencing a growing market preference for multiple axle vehicles, in PVs, CVs as well as tractors according to the CRISIL Report. As stated in the CRISIL Report, a light commercial vehicle (“LCV”) has six differential gears in a two-wheel-drive configuration, whereas a M&HCV has two sets of six differential gears each, along with an inter-axle differential consisting of nine gears in a four-wheel-drive configuration to support the torque requirement of respective vehicle segments. Therefore, in a four-wheel-drive configuration, M&HCV truck has total of 20 differential gears. According to the CRISIL Report, a gradual shift in demand towards four-wheel-drive vehicles, particularly in the utility vehicle segment, will likely result in higher per-vehicle gear content.

Management Discussion and Analysis

We expect this trend towards preference for multi-axle vehicles to significantly increase the demand for our differential gears and aim to achieve our growth objectives by capitalizing on this shift in market preference for multiple axle vehicles.

- Benefiting from integrated powertrain systems in EVs: According to the Ricardo Report, we are among the limited number of players who are well placed to combine our motor and driveline capabilities to offer a compelling value proposition to our EV customer base. Integrated drive units have three key components namely, differential assembly, high voltage traction motors and high voltage inverters. Since we already manufacture electric drive motors and inverters for electric 2-wheelers and hybrid PVs, as well as differential assemblies for battery electric passenger vehicles, we are in a unique position to integrate the three key constituents of the electric powertrain into a single matched unit, offering an efficient and compact solution to EV OEMs.

Continue to focus on R&D to develop new and innovative systems and components

According to the Ricardo Report, with the advent of electrification, the vehicle level bill of materials will be different from the current ICE vehicle and accordingly, revenue realisation of various components such as differential bevel gears, differential assembly, starter motors, BSG and traction motors is expected to undergo a paradigm shift. We aim to capture the growth trend in revenue realisation per component with increasing electrification by continuously investing in R&D to develop and deliver new and innovative systems and components. With our customers continuously focusing on weight reduction in EVs to enhance the range, augment the vehicle's acceleration and improve overall efficiency, we have been developing solutions and alternatives for improving the power density and lightweighting of our differential assemblies and EV Traction Motors (BLDC and PMSM) and motor control units through our R&D efforts. With the evolving vehicle electrification trend, a key area of our focus is on integrating the powertrain and the drivetrain components by creating an integrated drive unit. Control systems and software are becoming a critical part of powertrains. We have developed extensive in-house capability to develop embedded systems and application software, along with integration capabilities to offer our customers a complete solution.

The Ricardo Report states that, we are among the limited number of players who are well placed to combine our motor and driveline capabilities to offer a compelling value proposition to our EV customer base. According to the Ricardo Report, this complexity presents a unique opportunity in electrification for companies such as our Company, who are committed to building capabilities and products by bringing different elements (mechanical, electrical and software) of the puzzle together under one roof.

Although the core of our strategy is to continue to achieve growth organically through investment in our technological capabilities, business development skills and customer relationships, we continue to evaluate inorganic growth opportunities such as acquisitions and strategic alliances that may provide us with complementary technologies that have a similar financial profile.

THREATS, CONCERNS, AND RISKS

The Company has put in place a strong mechanism to anticipate and manage risks. The Company's robust systems, processes, standards, code of conduct, organisation structure and appropriate review mechanisms not only governs how it conducts its business but actively monitors, manages and mitigates all these associated risks.

The business of the Company is susceptible to certain risks and uncertainties arising out of the following factors:

Risk from a prolonged lockdown and potential disruption due to COVID-19 or any other pandemic or event of similar nature:

The outbreak of COVID-19 was recognised as a pandemic by the World Health Organisation ("WHO"), on 11th March 2020. In response to the COVID-19 pandemic, the governments of many countries, including India, US, Europe and China had taken preventive or protective actions, such as imposing country-wide lockdowns, restrictions on travel and business operations, and advising or requiring individuals to limit their time outside of their homes. Over more than a year, we have seen waves of pandemic rising and ebbing out across various geographies disturbing normal life, destroying customer demand, disrupting operations and supply chains across the world adversely affecting various industries including automotive industry. While we have managed to run our operations to service our customers to their needs and satisfaction so far and also grow in revenue and profitability in the last over

this period. However, any prolonged lockdown caused by COVID-19, in the future, may have the potential to disrupt businesses.

Dependence on global markets:

The business of the Company is dependent on the performance of the automotive sector globally, including key markets such as US, Europe, India and China. Any adverse changes in economic and political conditions affecting these markets can adversely impact business, results of operations and financial conditions.

Change in regulations and industry trends:

Automotive industry is subject to environmental and other regulations, any adverse impact on the industry in general and our customers in particular due to any change in such regulations can affect the Company's business. Further, there's a gradual shift happening in the industry away from pure ICE dependent vehicles, an acceleration in this trend will have adverse effects on the ICE dependent business of the Company.

Risk Mitigation, Internal control systems and their adequacy

SBPF believes that an effective management of the existing and emerging risks is vital for realising its objectives. The Company has a well-covered risk management framework that works at different levels across the institution. The internal control systems of the Company are regularly tested for design, implementation and operating effectiveness. Overall, the organisation structure of SBPF is strong and effective for managing and reporting on risks.

SBPF's risk management process encompasses a wide spectrum of strategic, operational, financial and compliance risks that it is exposed to. The necessary steps to identify and review new and emerging risks are consistently undertaken by SBPF. Also, the major risks identified by the businesses and functions are systematically addressed through mitigating actions on an on-going basis. This process goes a long way in minimising surprises, enhance decision-making for the Company and actively work to reduce the impact and likelihood of identified risks.

OUTLOOK

Over the years, SBPF has widened its offerings to bring focus on the electrification trend which is sweeping the automotive landscape. The Company has fortified its R&D capabilities and has built an experienced and able team with expertise in its areas of focus. It serves large global OEM and Tier-1 customers and boasts of a rich track record of delivering high-quality automotive systems and components for EV as well as conventional powertrains.

Growth in EV segment and global market share would be the cornerstones of the Company's growth strategy. Recovery in the global automotive market after 3 years of contraction should act as a tailwind. Electrification is set to gain further traction and projections by renowned industry publications indicate acceleration in the customer preference for electrification due to multiple factors such as improved infrastructure, reduced total cost of ownership and fiscal incentives among others over the coming years. We feel, SBPF is well positioned to gain from this megatrend.

FINANCIAL OVERVIEW

Consolidated Income Statement Summary

Particulars	Consolidated			(₹ million)
	FY21	FY20	y-o-y (%)	
Revenue from operations	15,663	10,380	51%	
Total Expenditure	11,253	7,957	41%	
EBITDA	4,410	2,423	82%	
Other Income	23	58	(60%)	
Finance Cost	325	260	25%	
Depreciation	969	671	44%	
Adjusted PBT*	3,139	1,550	(103%)	
PBT	3,000	3,918	(23%)	
Tax	848	265	220%	
PAT	2,152	3,653	(41%)	
EPS (Diluted)	3.8	7.2	(48%)	

Adjusted PBT is PBT plus exceptional expense or minus exceptional income

Management Discussion and Analysis

Revenue from operations:

FY 2020-21 was the best year for the Company, despite the COVID-19 setback, both in terms of Revenue and PBT (adjusted for exceptional items). FY 2019-20 included near nine months financials of Comstar beginning with the date of its acquisition 5th July 2019, as against full year impact in FY 2020-21. The Consolidated revenue in FY 2020-21 grew by 28% over FY 2019-20 even after considering Pro-forma adjustment to Revenue of Comstar for the period prior to its acquisition in FY 2019-20. Significant growth in the EV revenue, ramp up of volume in some new customer programmes

and growth in tractor segment in India were the main contributors to this growth.

Expenditure

The total expenditure increased by 41% to INR 12,547 million in FY 2020-21 as compared to INR 8,888 million during FY 2019-20 primarily due to increase in revenue resulting from growth witnessed by the Company for reasons mentioned hereinbefore and also because of the full year impact of the acquisition of the Comstar Entities during FY 2020-21 as compared to the impact of nearly nine months for, FY 2019-20 commencing from 5th July 2019.

Expenditure Break-up	As on March 2021	% of Total Income	As on March 2020	% of Total Income	YoY change (FY21 vs. FY20)
Material Cost*	6,453	41%	4,456	43%	45%
Employee Cost	1,475	9%	1,027	10%	44%
Finance Cost	325	2%	260	2%	25%
Depreciation	969	6%	671	6%	44%
Other Expenses	3,325	21%	2,474	24%	34%
Total Expenses	12,547	80%	8,888	85%	41%

- Material Cost includes cost of materials consumed and changes in inventories of finished goods and work-in progress

Material cost

Cost of materials consumed primarily includes the cost of raw materials, such as special steel alloy bars, iron castings, steel blanks and bolts for manufacturing differential gears and differential assemblies and steel forgings, copper enamelled wires, machined aluminium pressure die castings, bearings, magnets, plastic moulded components and other proprietary parts for manufacturing starter motors and BLDC motors. Material Cost accounted for 41% and 43% of our total income for Fiscals 2021 and 2020, respectively. Material cost can vary depending upon the product mix of sales.

during FY 2020-21 as compared to the impact of only nine months for FY 2019-20 commencing from 5th July 2019.

Finance Costs

Our finance costs increased by 25% to INR 325 million for FY 2020-21 from INR 260 million for FY 2019-20 primarily due to an increase in our interest on loans by 20% to INR 213 million in FY 2020-21 from INR 177 million in FY 2019-20 and increase in interest on lease liabilities by INR 31 million. Interest expenses increased primarily due to increase in borrowings (excluding deferred payment liabilities and lease liabilities) by INR 606 million to primarily finance capital expenditure for expansion of our capacity at Manesar plant.

Depreciation and Amortisation Expense

Our depreciation and amortisation expense increased by 44% to INR 969 million for FY 2020-21 from INR 671 million for FY 2019-20 of which, 22% increase was due to additions to our property, plant and equipment resulting into higher depreciation and 18% increase was due to higher amortisation of intangible assets primarily on account of full year impact of amortisation of intangibles

generated on the acquisition of the Comstar Entities during FY 2020-21 and capitalisation of intangibles under development for BSG and BLDC in the last quarter of FY 2020-21.

Other expenses

Other expenses primarily comprise of manufacturing, administrative and selling and distribution expenses.

Manufacturing expenses mainly consist of expenses in relation to sub-contracting costs, stores and spares consumed, power and fuel, repairs and maintenance towards plant and machinery and manpower hiring on contract.

Administrative expenses mainly consist of legal and professional charges, travelling, conveyance and vehicle expenses, insurance, repair and maintenance - others.

Selling and distribution expenses mainly comprise of freight, clearing and forwarding charges and consumption of packing material.

Our other expenses accounted for 21% and 24% of our total income for FY 2020-21 and FY 2019-20, respectively.

Exceptional Items

Exceptional Item of INR 139 million during FY 2020-21 represents IPO related expenses incurred by the

Company until 31st March 2021 charged to our profit and loss account. During FY 2019-20, exceptional item of INR 2,368 million represented income on account of write-back of accumulated losses upon deconsolidation of erstwhile subsidiary Sona B.V.

Tax expense

In FY 2020-21, our tax expense was higher by INR 583 million at INR 848 million as against INR 265 million for FY 2019-20, due to increased profits before tax in FY 2020-21 and also because FY 2019-20 had lower tax expense on account of adjustment in the accumulated deferred tax liabilities on account of adoption of a lower corporate tax rate and certain one-time tax adjustments.

EBITDA, PBT and PAT

As a result of the foregoing factors our EBITDA for the year FY 2020-21 increased to INR 4,410 million from INR 2,423 million for FY 2019-20 and Adjusted PBT for the year FY 2020-21 increased to INR 3,139 million from INR 1,550 million for FY 2019-20. Our PAT for the year FY 2020-21 decreased to 2152 million from INR 3,653 million for FY 2019-20 primarily due to exceptional income of INR 2368 and certain one time tax adjustments in FY 2019-20 and exceptional expense of INR 139 million on account of IPO expenses in FY 2020-21.

The table below reflects the cash and debt position of the Company.

Description	As on March 2021	As on March 2020
Long-term Debt	2,518	2,222
Short-term borrowing	1,145	846
Total Debt	3,663	3,068
Cash and cash equivalents	249	1,050
Net Debt	3,413	2,018

The Company's total debt stood at INR 3,663 million as of 31st March 2021 as against INR 3,068 million as on 31st March 2020. The net cash and cash equivalents available with the Company as on 31st March 2021 were INR 249 million and the net debt amounted to INR 3,413 million.

Management Discussion and Analysis

Key Financial Ratios

The key financial ratios of the Company are given as below:

Key Financial Ratios (Standalone)	FY21	FY20
EBITDA margin*(%)	28.2%	23.3%
PAT Margin* (%)	13.7%	35.0%
Net Debt to Equity	0.3	0.2
Net Debt to EBITDA*	0.8	0.8
Return on Equity* (%)	36.4%	71.9%
Return on Capital employed* (%)	34.8%	20.6%
Net Working Capital* Turnover	3.1	3.3
Interest Coverage Ratio*	10.6	6.7
Current Ratio	1.7	1.4

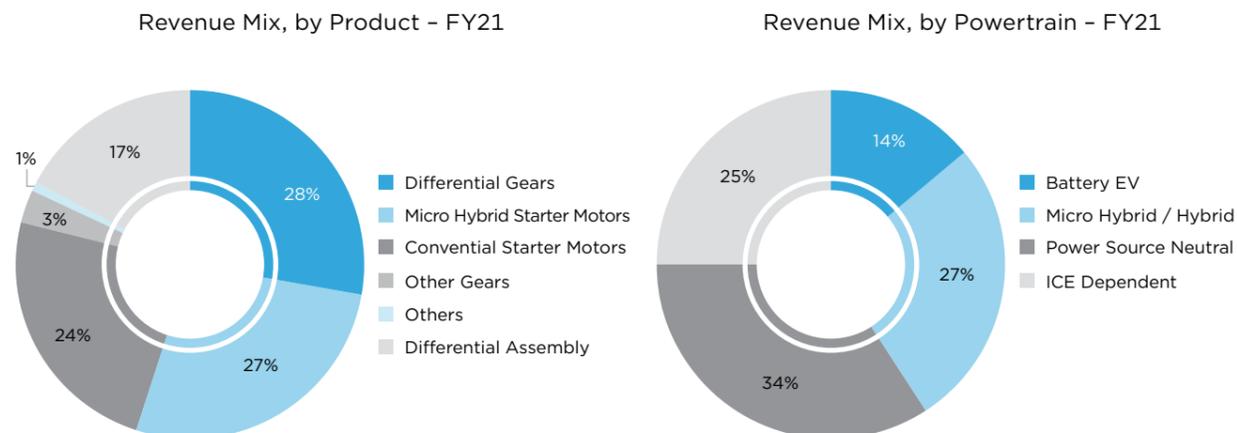
- EBITDA Margin % : In FY 2019-20 EBITDA margin is lower due to certain one-time adjustments amounting to INR 318.98 million to P&L account.
 - PAT margin % : PAT margin for both FY 2019-20 and FY 2020-21 have effect of exceptional income and exceptional expense respectively. Also PAT for FY 2019-20 has lower tax due to certain one-time tax adjustments.
 - Similarly Net Debt to EBITDA, Return on Equity, Return on Capital Employed, Net working capital turnover and Interest coverage ratio have been impacted by such one-time adjustments.
- Net Debt to EBITDA is calculated as Total Debt less Cash and cash equivalents/EBITDA
 - ROE (%) is calculated as PAT/tangible net worth
 - ROCE(%) is calculated as Earning before Interest, Other Income, Tax & Exceptional Items/tangible capital employed
 - Net working Capital Turnover is calculated as Sales/ Net Working Capital
 - Interest Coverage Ratio is calculated as Earning before Depreciation, Interest, Other Income, Tax & Exceptional Items/Finance cost

Basis of calculation of the ratios:

- Net Debt to Equity is calculated as Total Debt less Cash and cash equivalents/Equity
- Current Ratio is calculated as Current Asset/ Current Liabilities

SEGMENT - WISE OR PRODUCT - WISE PERFORMANCE

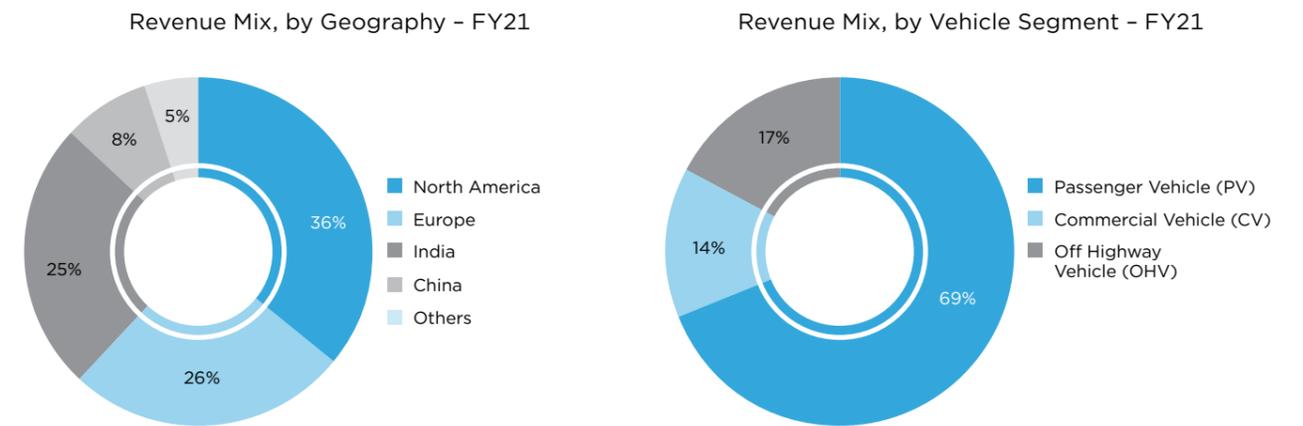
Diversified presence across product categories and powertrain segment



In product segments, 28% of FY 2020-21 revenues came from Differential gears, 17% came from Differential Assembly, 27% from Micro Hybrid Starter Motors and 24% from Conventional Starter Motors.

In terms of powertrain, Battery EV contributed 14% of FY 2020-21 revenue, micro hybrid/Hybrids contributed 27%, Power source neutral contributed 34% and ICE contributed 25%.

Diversified presence across geographies and automotive segments



Being a global supplier, 75% of the revenue of Sona BLW was dependent upon geographies outside India and remaining 25% from India. Key regions for the Company are North America (contributed ~36% revenue in FY 2020-21), Europe (contributed ~27%), India (contributed 25%) and China (contributed 8%).

In terms of vehicle segments, Passenger Vehicles (PV) contributed 69% of FY 2020-21 sales, Off highway vehicles contributed 17% and Commercial Vehicle (CV) contributed 14%.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company is able to attract top talent due to its inclusive culture and the immense opportunities available for nurturing their talent. SBPF provides utmost importance to its human capital and efficient and comprehensive management of its human resources is a key focus area. The people strategy is aligned with the Company's overall ambition to be a pioneering technology leader in the global auto industry.

The firm has built an effective Human Resources department which supports the business in achieving sustainable and responsible growth by creating a conducive work environment for its employees.

Apart from building progressive policies, the focus is on creating an inclusive work culture and building a strong talent pipeline. Persistent attention is given towards

providing an inclusive environment to promote diversity in gender, age and culture, including opportunities for global mobility, also form a part of the proactive plan to manage talent in key functions.

Another significant area of focus remains to train and create enough learning opportunities for its workforce. Therefore, efforts to develop workforce and build the right capabilities in the organisation has been consistently undertaken by the Company.

The Company has undertaken various measures, including implementation of policies for career enhancement to professional level for operators, industry relations policies to improve employee and employer relationship and hiring of trainees and temporary manpower to meet our requirements. For the Company, these initiatives have gone a long way in it being able to maintain an excellent track record of harmonious industrial relations.

Management Discussion and Analysis

The Industrial Relations of the Company remained cordial and peaceful during the year under review. The total employee strength of the Company stood at 2,999 employees, comprising of 1,081 on-roll and 1,918 off-roll employees as on 31st March 2021.

Awards & Rewards Program

There were ample programs like On the Spot Awards, Star of the Month, Star of the Year, Suggestion scheme, which were there in place for appreciating and encouraging the employees; also, these programs instilled a sense of ownership and betterment in their areas of work.

In the pandemic year, we realised the importance of team work which is so engrained in our work ethos, we started a new program, ₹ROWE Star' (Result Oriented Work Environment) to honour and encourage the best teams in the organisation.

Employee Engagement

Employee Communication is given utmost importance, in earlier years we had an internal monthly business magazine giving an update on various automotive developments and industry updates. In the recent past, we had started an employee magazine wherein articles about employees and their families were highlighted; other than this there were many online engagement programs which were run for both employees and their families to offset the absence of onsite engagement programs because of COVID. It helped the organisation and peers/colleagues to know each other better and that improved better harmony between departments.

Lot of encouragement is given to internal and external process improvement competitions, (Kaizen, Poka-yoke, 5S, TQM etc.).

As an organisation, we value employee's association with us; employees who have completed long service with us for 5, 10, 15, 20, 25 years and so on were appreciated with an award along with letter of thanks

to their family members. A long tenure shows a gesture of trust and that drive the organisation to achieve its milestones. We have more than 20+ % of the population who have been with us for more than a decade.

Other than this, we also give utmost importance to keep the work environment engaging by conducted Employee Engagement programs every month in addition to regular events like Women's Day celebration, Birthday celebrations, Safety meetings, Quarterly meeting with CEO and Monthly Meetings with Leaders.

Learning and Development

We have been conducting many internal and external training programs for employees and their family members which includes 125+ training programs during the 2020, 500+ free online learning courses and other department specific training programs like SIX Sigma, Labour law etc., were also conducted. Some LDP programs like VLFM were also conducted with an external training body for key resources.

Trainings were not only conducted to improve skills and knowledge of the employees, we take care of employee wellbeing by providing yoga sessions, health talks and mental wellbeing workshops which helps employees to realise self-actualisation.

In the changing business needs, new skills requirements become scarce in the job market, it is been handled by the Training Initiative, where any employee can learn any skills.

Medical check-ups and camps were organised during the year to promote physical well-being of the employees. Our teams connected with employees and their families to support them to cope with the impact of the pandemic through appropriate mechanisms. Health was a key area of focus during the year due to the COVID-19 pandemic. Protocols were implemented in keeping with regulatory guidelines and best practices to promote COVID appropriate behaviour among employees.

The Company also undertook COVID-19 screening camp/Medical insurance/Vaccination camps.

Cautionary Statement

Some of the statements in this management discussion and analysis that describe the Company's objectives, projections, estimates, and expectations may contain certain 'forward looking statements' which are within the meaning of applicable laws and regulations.

Actual results could differ from those expressed or implied. There are a variety of factors which may cause real events or trends to vary significantly from those reflected or implied by these forward-looking statements and predictions. The Company assumes no responsibility to publicly amend, modify or revise any such statements. The Company disclaims any obligation to update these forward-looking statements except as may be required by law.