SONA COMSTAR

Date: 30th July, 2024

BSE Ltd. Regd. Office: Floor - 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.	**National Stock Exchange of India Ltd.** Listing Deptt., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
BSE Scrip Code: 543300	NSE Scrip: SONACOMS

Subject: - Transcript of Investor Call pertaining to Financial Results for quarter ended on 30th June, 2024

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor Call held on Wednesday, 24th July, 2024 on the financial result of the Company for the quarter ended on 30th June, 2024.

The transcript will also available on the website of the Company at
https://sonacomstar.com/investor/investor-presentations

This is for your information and further dissemination.

Thanking you,
For Sona BLW Precision Forgings Limited

AJAY PRATAP SINGH
Digitally signed by AJAY PRATAP SINGH
Date: 2024.07.30 09:45:41 +05'30'

Ajay Pratap Singh
Vice President (Legal), Company Secretary and Compliance Officer

Enclosed as above;

SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q1 FY25 Earnings Conference Call Transcript

July 24, 2024

The webcast recording and the presentation referred to in this transcript are available on the website of the Company and can be accessed through the following link:

https://sonacomstar.com/investor/investor-presentations

Moderator: Good Afternoon, Ladies and gentlemen. Thank you and welcome to the Sona Comstar's Q1 FY25 earnings group conference call. Please note that all participant lines are in the listen-only mode as of now. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. We request that you place your lines on mute except when asking a question.

Slide 2:

Some of the statements by the management team in today's conference call may be forward-looking in nature, and we request you to refer to the disclaimer in the earnings presentation for further details. The management will also not be taking any specific customer-related questions or confirming or denying any customer names or relationships due to confidentiality reasons. Please refrain from naming any customer in your questions.

Now, I'll hand over the floor to Mr. Kapil Singh, Head of Consumer and Digital Commerce Research, India, and Lead Autos Analyst at Nomura. Kapil, please go ahead.

Kapil Singh: Good day, everyone. To take us through the Q1 FY25 results, we have the management team of Sona Comstar. We have Mr. Vivek Vikram Singh, MD & Group CEO; Mr. Kiran Deshmukh, Group CTO; and along with him Mr. Praveen Chakrapani Rao, who is the CTO designate, Mr. Sat Mohan Gupta, CEO of Motor Business; Mr. Vikram Verma, CEO of Driveline Business; Mr. Rohit Nanda, Group CFO; Mr. Amit Mishra, Head - Investor Relations; and Mr. Pratik Sachan, GM - Corporate Strategy and Investor Relations. Before I hand over the call to Vivek, I wish you a very happy birthday. And now I will pass this on to you for the opening remarks and also the presentation.

Vivek Vikram Singh: So, thank you Kapil for the birthday wishes. Yeah, I turned 45 today. When I joined Sona, I was 35 years old, knew almost nothing about anything and now in my 10th year at Sona, I'm still learning, still trying to get better at doing my job. So, with that being said, let me move on to doing my job and welcome all of you to the earnings call of what has once again been our highest ever quarterly revenue, EBITDA, BEV revenue, and BEV revenue share. But we'll begin as we always do with the challenges.

First, the off-highway market has been weak and this time, I want to highlight the US off-highway market which has actually been struggling for the last, I'll say 8-9 quarters, straight. Production declined further last quarter and given our high market share in this space, this has affected the sales of our differential gears as well as differential assemblies, to this segment.

Second, the Indian EV two-wheeler industry continues to face issues related to FAME subsidy and the subsequent fallout on demand. Quite frankly in our entire EV portfolio, the EV two-wheeler market remains the most disappointing one from a gap in projections and actual sales. On the cost side, the Red Sea crisis continues, which means that there is a further increase in freight rates as well as there are challenges on container availability, so this remains a continuing and ongoing challenge. But as usual, the good news outweighs the bad in a lot of ways.

In financial terms, we achieved the highest ever revenue and EBITDA. BEV revenue has continued, as I said repeatedly over the last four quarters, that this is our growth driver, and we grew BEV revenue by a staggering 53% last quarter year on year and its share in revenue has increased to the highest level at 33%. We've also begun FY25 with the meaningful new wins in the electric vehicle segment which we'll talk about later. We won our first order for an in-cabin sensing product, ACAM, which gives us the confidence that we are moving with agility on a long-term strategy of pivoting NOVELIC from an engineering services led business to a product and semiconductor chip design. This was the hypothesis with which we made this acquisition, and we are very proud that in such little time we've been able to achieve that hypothesis. We've additionally made substantial progress on our technology roadmap by winning customer orders for two new products. And we've also added a further two new products to our development road map. And Mr. Deshmukh would cover that in a later slide.

Vivek Vikram Singh: **Slide 5:**

Coming to the numbers, on a YoY basis, our revenue grew by 22% while EBITDA and net profit increased by 23% and 27% respectively. Our margins have improved due to operating leverage, that's the core reason for the growth being higher than revenue growth. Once again, I would highlight that BEV revenue grew by 53% and the BEV revenue share has reached 33%.

Slide 8:

On our biggest strategic priority, electrification, our BEV revenue share has increased from 26% to 33% and BEV revenue in rupee terms has grown to over ₹2.8 billion. For us, the growth in BEV revenue has been five times the growth in non-BEV revenue and that should give a clear indication of where we are deriving this much higher than industry growth from.

We continue to build on our EV order book. At the end of Q1, we have 27 EV programs in production, 12 of which are mature and completely ramped up and 15 are in various stages of ramping up. The remaining 28 programs are of course not yet in production and will start during this or the following years to come. We will elaborate on the new wins in the next slide.

Slide 9:

So, the first one is a Driveline program. This is for a class-5 electric truck for an existing North American customer. The customer is a new age OEM of commercial vehicles. Earlier if you recall, we had won the order to supply differential assemblies to this customer. And now and thanks to Vikram and his team's persistent efforts and having proven their skills, we have been awarded three more products within the same vehicle; the intermediate gears, the input shafts and a new product for us as a company - park gear. This has increased our content value on this truck substantially and increased the order value by 170% or ₹6.8 billion.

The second one, although smaller, but one that gives us great pride. This is our very first product order in the sensors and software business. The order win is to supply ACAM or in-cabin sensors for electric passenger vehicles. It has come from a new customer, an Asia based new age OEM of electric passenger vehicles. As highlighted in the last quarter, I think I mentioned and spoke about it that we are pivoting NOVELIC from an engineering services led business to a product business. And this, this is quite special. We have long prided ourselves as being a company that can make an acquisition and make that company, whichever we acquire, much bigger, better, newer, more innovative than it used to be. Our ability to provide the freedom to innovate, our ability to provide the right capital and the right oversight, is something we take great pride on, and this proves that our NOVELIC acquisition hypothesis was correct. It gives us confidence that we are on the right strategic path and moving with great momentum.

Slide 10:

This slide is a good visual summary of the reach and diversity of our electrification mission. This quarter, we've added one new customer and one new program in Asia. And as you can see, I mean, this literally spans the whole world. Our EV exposure is truly diversified across customers, programs, products, and geographies. And this is the reason that despite some customers not doing well, our revenue growth from BEV was 53%.

Slide 12:

Coming to the next priority and our order book; so, our net order book, we have added ₹11 billion worth of new orders last quarter and at the end of Q1FY25, our net order book has expanded to ₹233 billion.

The EV portion remains high at 79% of the order book, kind of indicating what our future would look like.

Slide 14:

On our fourth and a very important KRA for us, diversification, the trend of increasing electrification and decreasing ICE dependence continues unabated. And this quarter we have seen for the first time, the ICE dependent revenue shrink to single digits to merely 9%.

The demand slowdown in Europe has meant that the revenue share from hybrid and micro hybrid has been lower than in the previous year. And because I invariably get asked this, I thought we'll preempt it; the question about BEV and hybrid. So here's a reminder that while 33% of our revenue comes from BEV; 21% is from hybrids and 37% from products that are power source agnostic. So, from a commercial and purely commercial perspective today, our content value is highest actually in plug-in hybrids, followed by battery electric vehicles, followed by hybrids, followed by ICE because we sell our high torque differential assemblies and starter motors both to plug in hybrids. We also have the opportunity for hybrids to offer traction motor solutions for that vehicle.

However, when, I answer questions from the analyst community, and I talk about the future powertrain technology, I try to do it candidly and honestly as an engineer and as a student of the automotive. It isn't that when I answer, I only think of what is good for Sona Comstar, I think of what is the right answer and what is the truth that I want to share. So, here's our take on this, that hybrid solutions in most industries do not last too long. They are bridges to one or the other technology and this is because having two separate power trains and developing two separate engineering systems and trying to optimize for them both is by definition - inefficient. And over time, I think people will see that. There are lessons from many other industries like hybrid of digital and film cameras that Kodak launched; hybrid of tablets and e-readers; TV, and personal computers hybrid; hybrid of analog and smart watches and many many more examples where hybrid products were introduced but faded over time. And this is why we believe that BEV will be the absolute future in 2035 and beyond.

Although again, if I'm just putting on my Sona Comstar hat, if the industry shifts entirely to plug in hybrids, we will not complain from a purely financial perspective because like I said, that's where we make the most money.

Slide 15:

Moving on to the other revenue cuts, geographically North America remains our largest end market, contributing 43% of our revenue while India remains the second largest market with a revenue share of 28%. After a very strong, I would say, recovery last year, we are once again seeing a slowdown in demand in Europe. This quarter our fastest growing segments have been EV differential assemblies and EV traction motors and this, as you can see is reflected in the changes in the product mix. The continued weakness in off-highway demand in the US and India means that non-automotive revenue has declined to just 9%.

That's all from me and with this, I turn over to our Group CTO Mr. Deshmukh to update us on the technology roadmap. Over to you sir.

Kiran Deshmukh: Thank you, Vivek. Good evening, everyone.

Slide 17:

We share our technology road map during every investor call and most of you are now familiar with how we depict our approach to technology development. We keep bringing new future products in this chart and mark them when they are commercialized. So, this quarter, I'm excited to share significant developments in our product portfolio that underscore our commitment to innovation and leadership in the EV market.

In this quarter, we successfully commercialized two groundbreaking products; the first is the park gear for a class 5 electric commercial vehicle, a product that stands out for its unique safety and reliability features. This product has been developed in collaboration with the new age, North American OEM, specializing in electric commercial vehicles. Our park gear is designed to enhance the safety and reliability of commercial EVs, meeting stringent industry standards and addressing the specific needs of this burgeoning market.

The second product we brought to market is the in-cabin sensor for child presence detection, known as ACAM. This innovative solution is tailored for an electric passenger vehicle from an Asian new age OEM. The ACAM sensor is a critical safety feature designed to detect the presence of a child in the vehicle, preventing tragic accidents and ensuring peace of mind for car owners. Utilizing advanced radar technology, this system offers precise and reliable detection even under challenging conditions such as when a child is asleep, covered by a blanket or is in the seat well. This product aligns with our vision of integrating advanced safety features into modern electric vehicles.

Looking ahead, we have added two promising products to our technology roadmap. The first is an integrated motor controller for hub motors. This integrated motor controller will offer superior performance and efficiency. As the demand for efficient and compact motor solutions grows. Combining the controller and motor into one unit can reduce weight, minimize wiring complexity and enhance overall system reliability. This may exist ideal for various EV applications, particularly in compact and lightweight electric vehicles.

The second future product is an integrated motor controller for high voltage systems. This product is designed to meet high voltage electric vehicles, increasing power and performance demands, providing enhanced control and efficiency; integrated controllers for high voltage systems streamline the powertrain architecture leading to improve thermal management and reduce energy losses which translates to better vehicle range and performance.

These additions to our technology roadmap reflect our strategic focus on expanding our product portfolio and driving innovation in electric, personalized, intelligent and connected vehicles. We are confident that these developments will strengthen our market position and deliver substantial value to our customers and stakeholders.

Thank you for your attention and I now hand it over to Rohit to cover the financial update.

Rohit Nanda: Thank you, Mr. Deshmukh. A very good day to you all. It's my pleasure to share our first quarter results for the financial year 2025.

Slide 19:

Our revenue for the first quarter was ₹893 crores. It has grown by 22% year on year, while the underlying light vehicle market in our three largest markets of North America, India, and Europe grew only by 3%. Our BEV revenue has grown by 53% to ₹283 crores, and it is now constituting 33% of our total revenue. Our reported EBITDA, grew by 23% year on year, while EBITDA adjusted for ease of cost grew by 27% to ₹259 crores; adjusted EBITDA margin expanded by around 1.2% over the same quarter last year due to operating leverage and lower input costs. Our profit after tax adjusted for ESOP cost grew by 29% to ₹148 crores, primarily due to higher operating profits.

Slide 20:

This brings us to the final slide on our key ratios. There are not many big changes here from March, our value addition to employee cost, the return on capital employed and return on equity ratios continue to remain strong. There is some improvement on the working capital turnover ratio, which has improved to 5.1 times and fixed asset turnover ratio which has improved to 3.8 times.

With this, we have come to the end of our first quarter's earnings presentation, and I'll now hand the proceedings back to the Nomura team for Q&A.

Moderator: Okay, ladies and gentlemen, now we are at the Q&A portion of the presentation. A gentle reminder, if you have any questions, you can use the raise hand function. We will unmute your line or submit the question in the Q&A chat box.

Kapil Singh: Hi Vivek, by the time the question queue is building, there is a development of where the company has taken approval for fundraise. So, I would request you to also articulate what are the reasons for the same?

Vivek Vikram Singh: Sure. Yes, so first thing, it's an enabling resolution. It allows us to raise up to ₹2400 crores. So, I first wanted to put that out. Why, obviously it is fairly well known that for our usual organic expansion, we don't really need much external capital. So, this is because we are evaluating a few potential acquisitions as well as some strategic opportunities like JV's collaboration, et cetera. And I mean, we've been working on many of these opportunities for, I would say the past 6-7 months. And if most of these transactions and opportunities were to fructify, we would definitely need external capital. Given this scenario, we presented this, and the board has reviewed and approved the proposal to raise funds. I think the board has also constituted a board committee for this purpose. And like I said before, this approval is an enabling one which allows us to determine the equity and or any other permissible, I would say equity convertible, securities/instruments to fund these transactions when necessary. We cannot, frankly at this point, share any more details because as you would know, any of these transactions would have, you know, a fairly high degree of confidentiality attached to it. I just want to assure everyone that we will stay absolutely true to our vision as we have for all our lives and for three years, at least the public markets have seen us and whatever our targets are, they would be within the mobility space, and they would be in and around our theme of EPIC mobility.

Kapil Singh: So, Vivek, can I also ask that since you are evaluating these opportunities, what will be the principle based on which these acquisitions will be done? So, for example, are you looking at, these would be more smaller tech kind of companies, or these are companies which are more like turnaround candidates? So just, you know, some thoughts on when you look at acquisition candidates, what is it that fits in your framework? What is the framework if you could just help us understand that.

Vivek Vikram Singh: We've done two acquisitions in the last decade; one is Comstar, and one is NOVELIC, that's pretty much it. In both cases, it was a buy versus build. We look at if we were to do it organically, most times, we are almost trying to do that thing and we either realize that this is way beyond our current set of capabilities or it would take far too long and hence, it is much better to buy. We try to build as much as possible, but we buy in these cases. We are not turnaround people. We are humble enough to know that if someone's been running the business for decades, we are not some geniuses who would come and figure out how to run it better than them, we do not have the hubris to think of us like that. Most likely because we come in, we end up putting a lot more compliances, a lot more structure. We would tend to decrease margins initially and reposition for the long term. What we have been able to do both in Comstar and NOVELIC. And I think that would be the attempt with anything we acquire, that make it greater or better or faster than what it used to be. We can, Comstar is a great company but a great starter motor company, which we have been able to pivot into a far more future looking traction motor, suspension motor, inverter, controller, a lot more technology focused. Technology is the axis on which we tend to play. And that's, that's what we bring to the table I feel that we can get them access to the right capital, deploy capital well, we can get the focus back on technology we can take focus of that management team away from short term things, meeting targets. Because a lot of time top management gets bound by myopic KPI meeting objectives - this quarter, this year, what not, what do you need to do to bonus? Can you free them and give them enough capital and say the risk of failure, also, we will take. If you fail, it is our failure. If you succeed, it is your credit and then give them that kind of capital and freedom to fail. Give them the R&D budget, that's what we are good at and that's what we will continue to be good at. I don't think we can change so quickly. I mean, like I said, this is my 10th year, Mr. Deshmukh's fourth or fifth decade, Vikram's third or fourth decade. We've been here for a while. We have developed a culture. We have developed our value system. I don't think we can deviate from those things. So yeah, that's, I don't know if I answered it, but it is a very philosophical question. And unless we talk about each acquisition opportunity, it would be hard to give a specific general one. All of them will have something unique about it. And yeah, so small and big is not how we look at it traditionally.

Kapil Singh: Sure, thank you. That's helpful. Yeah, Deanna, I think we have the queue now. So please go ahead.

Moderator: Ok, thank you. The first question goes to Aditya, your line is unmuted, please go ahead with your two questions.

Aditya Jhawar: Thanks! Hi Vivek, can you hear me now? Thank you for the opportunity and congratulations on a good set of numbers. My first question is on PLI. So have we started accruing the PLI benefits? And since now we have a couple of products where we have certified, you know, certified for PLI and, what it appears that our customers are also, you know, certified for their end product. So I just wanted to understand what is the thought process here, that what quantum a supplier can claim and what quantum the customer can claim the PLI benefit.

Vivek Vikram Singh: Sure. So I'll let Rohit answer that. He knows far more than I do. In general, he knows far more than I do. But this subject he knows much, much more than I do. But we, we are a conservative company. We will not recognize revenue till it has come to us. We have made that clear, I think many times, that unless we receive the money, we have no idea what the quantum will be. We have been approved for four products already. The remaining products that are in the queue are also progressing. We will see when that happens. I don't think anybody is going to receive money this year, this financial year. So, it is next year that this question of revenue recognition and how will come up. But Rohit can elaborate.

Rohit Nanda: I think you have broadly answered the question. So yeah, so we're not recognizing it as of now. And the intention is that we recognize it from next year and the revenue certainty is there. So there are two parts to the revenue certainty. One is there are thresholds to be met in terms of capital investments, etc. And second is what's the quantum of benefit that we will end up getting because that is the subject matter of the total claims under the policy. So it would be prudent to start recognizing it from the next financial year only.

Aditya Jhawar: That's helpful. Second question is on NOVELIC, congratulations on the order win, the first order win in NOVELIC. So looking ahead in the next 2 to 3 years, so clearly, you will see a lot of OEM in India, you know, launch the product which you know would have a requirement of radar based sensor. So, in your discussions with OEM, are you sensing that you are at an advanced stage and you know, certain discussions and OEMs are comfortable, you know, with our product proposition. And in case you know, you can give a number that you know from a percentage of revenue contribution. How do you think that will shape up in the next 3 to 4 years?

Vivek Vikram Singh: So, I'll take the second part first. Yeah, no numbers. You know, when I said that when we come in and acquire the company, this is the freedom we give them. The freedom from pressure of short-term targets and numbers. If you take that pressure off, you can do things in a much better way and do what you really intend to. I would say the first set of customers are likely to be more in Europe and US, India will be a little later. We want to do this, I mean, India; one, there is a high degree of cost sensitivity. Second, the more advanced use cases, let's say any technology like radar sensor may have seven or eight use cases that can be deployed. European or more high-end car makers would like you to do all of those 7-8 while someone who wants to pay less and is more cost conscious would only want two or three use cases. So, you don't learn how to deploy all of them, and you want to learn the full range of your capabilities of your product. So, we are going to focus on Europe, Asia and the US before India, outside India. But no short-term targets, Aditya, because I think the potential, I think Jinesh had asked last to last time and I said it's so huge that each contract, even this one that you win is multiple times the annual revenue. One, every single one is like that; in these scenarios, instead of trying to be greedy or trying to figure out how much more, it is more important to make the product better and do as many things as possible. So, we'll continue on that path. But it is, it is very exciting. I mean, every opportunity that we're talking about is fairly large compared to what the business is, the size of the business.

Aditya Jhawar: Yeah, perfect. Final question, you know, your commentary on Europe was slightly subdued and we're also hearing that there is some production disruption in OEMs because of excess rains and floods. So, are you seeing that OEMs looking for, you know, production cut? You know, as we progress in this coming quarter.

Vivek Vikram Singh: I think we've maintained this for the entire period that we have been listed that we would like to give bad news first; bad news, take the elevator and Europe, we've been flagging it for a while. Yeah, it's again slowing down so that you are right. There are many things but the ones you talked about are more micro. I think it is in general, if it achieved a flat, it would be a good outcome.

Aditya Jhawar: Ok. Yeah, that's it from my side. All the best.

Vivek Vikram Singh: Thanks, Aditya.

Moderator: Thanks, Aditya. The next question goes to Jinesh Gandhi. Hi, your line is unmute.

Jinesh Gandhi: Hi, am I audible?

Vivek Vikram Singh: Yeah Jinesh, long life, I just mentioned you in the last comment.

Jinesh Gandhi: Yeah. Thanks. Hi Vivek, so a couple of questions, one is on the acquisition side and otherwise also, how do we think about the non-automotive space in terms of the opportunity and what we can do there? What are your thoughts on that?

Vivek Vikram Singh: As long as it's within mobility, and I have, when we changed our definition and our vision to mobility, I had explained mobility, but I'll do it again. Any device that moves passengers or goods from point A to point B for us is mobility. So, if it's a bicycle, it's a drone, it's a train, it's a bus, it's a tractor, car, two-wheeler, all of them are in mobility. We will not go outside our vision. Our vision says mobility technology, so we will remain within mobility. So yeah, as long as that, I mean that fits into non-automotive, actually, automotive also people define slightly differently. A lot of analysts think automotive is only passenger car, even an off highway vehicle like a tractor or an ATV will not be considered. So that's why we said mobility, that's the definition. That's the scope. We won't just pitch up and start making, you know, like smartphone parts or start an NBFC or something. So that's not going to happen. I mean, we're not random people, we are engineers, we are good at manufacturing. Our vision is fairly defined. It will be within moving.

Jinesh Gandhi: Ok. I mean, what I was trying to understand is railways, obviously you mentioned it will be but something on defense, on that side probably may not be a part of it.

Vivek Vikram Singh: No. Defense, no, not, not at all. I mean, that's a slightly ethical thing also. We do not want to make things, whose explicit purpose is to harm human beings. So, defense is kind of out, especially making weapons, that's not what we were put on the planet for.

Jinesh Gandhi: Right. Right. And the second question again on the PLI side. So, while obviously we will only account for it when we get the cash. But based on our current revenues, say Q1 revenues, what percentage of revenues would be eligible because some of the revenue is going to OEMs who also have PLI incentives, we won't be eligible for that. So, would it be possible to say what percentage of revenues will be eligible for PLI today.

Vivek Vikram Singh: What is this about if it's going to customer, we will not be eligible or whatever.

Jinesh Gandhi: In the sense that a customer claiming PLI, so for example, say, someone like TVS who also is a PLI beneficiary and if your motors are used there, then you can't claim, if they claim, if they don't claim, then you can claim on that. So that's what the PLI document talks about. So that's and hence that question.

Vivek Vikram Singh: Here, I don't think it works exactly like that. If you're not making something, you can't claim PLI for it. Anyway Rohit, you can answer as to the percentage.

Rohit Nanda: Sure, so as of now the products that are approved are all in the two-wheeler, three-wheeler EV motor side. So, for now, that's the revenue that you should track on which the eligibility is there. So, there are still like a couple of more products to be approved in that segment. But largely as of now that's where the approval is and so that's the revenue on which will be eligible.

Jinesh Gandhi: Ok. And the large chunk will come from the differential assemblies which we export because that's also sensible, a bigger proportion of revenue today. Is that a fair statement?

Rohit Nanda: Whatever is approved is also sizable. And right now, I'm not talking about the products where we don't have the approval so far. So, the question is, I mean, I'm just trying to answer as it stands today. That's, that's a position as of today.

Jinesh Gandhi: Perfect. I got it. Great. Thanks, and all the best.

Moderator: Thank you so much. We move on to the next participant Gunjan Prithyani. Your line is unmute. Please go ahead.

Gunjan Prithyani: Yeah, thanks. Thanks for taking my question. Just two questions from my side. I'm just trying to get a better handle on how to think about growth, particularly from the comments that you made on the, on India, as well as Europe. That Europe is seeing some softness. India, also from a tractor and CV perspective, there is not much growth right now. So how should you know, if you can give a little bit of color, either geography wise or product wise, how to think about growth? And I'm not looking quarter to quarter more from the next 12-18 months perspective. And you know, in just an extension to that on your order book, are we seeing any delays in the programs? Just because either the demand has been softer than what people were anticipating at the beginning of the year or because of, you know, some push out of EV programs that we continue to read in the press.

Vivek Vikram Singh: Yeah. So always be careful to apply your own wisdom to what you read in the press in general I would say that's true for almost everything you read. But let's start from the top, which is how to think about growth. If we were dependent only on underlying industry growth, we would have grown about 20% in the last three years. We have grown more than 100%, right? As I think we mentioned quite a few times, we grow because we add new programs, we add new customers, we add new products. It is not going to be aligned with the underlying industry. Every quarter, I start with the challenges, right? Every quarter, I say at least two or three segments which are not growing. I mean by that logic, we should have been negative growth for the last 10 quarters, but we are not right because that is not how it works. Industry growth is something if it happens, it adds to whatever percentage you grow by. But if you keep adding new products, if you keep adding new customers within existing customers, if you keep increasing your share of wallet, you can continue to grow. I mean, automotive in 2019 was a 96 or 2018 was it 96 to 97 million vehicles were sold, 2018. We have not even crossed 90 after that in five years. Even in that scenario, if I look at our five-year growth we are like three times. So yes, it's a great perspective to have if you're tracking the industry. But if you're looking at individual companies, their growth will not be lockstep with those things. As far as I remember in the last three years, Europe passenger vehicle has been soft, in growth, off highway has been soft barring one year, which was, I think FY21 off highway has been soft. Commercial vehicles have not gone back to 2018 level. So again, I don't think there is a direct correlation and EV growth rate. I know last quarter also Gunjan, you asked me, oh, EV has slowed down last to last quarter, also you asked me last to last to last quarter asked me.

Gunjan Prithyani: No Vivek, I'm not getting to EV slow down. My question was actually on order book conversion. Honestly, I mean, I understand the business drivers well that you all have been delivering on content value, you all have been delivering on market share. So absolutely no question around that. What I was just trying to understand is there a delay in the order book conversion is all, is the simple thing that I'm trying to get a handle at.

Vivek Vikram Singh: Well, that was the second part. Second part is order book conversion which also, I answered two quarters back. Not really, we're not seeing any program delays to be honest, in the launches, the, there aren't that many happening around this time anywhere, which is the truth. But the reason we have grown 53% over last year is because some happened. So no, we're not seeing much delays, what we try and do each quarter, we let our numbers give the answers. And if something is growing by 53% then we are seeing, we are not seeing a slowdown. I mean, you should give the benefit of the doubt to the actual numbers rather than, what is read in the press. Also, I think we have a lot of local bias that if you read press in India, it will automatically talk more about India Automotive. India's automobile as the percentage of world EV is so small as to not matter, but we read a lot about it and hence our perceptions form, and they take far more weight than they should. And I think that that could be the root cause of that, I would say the difference. We are seeing some launch delays. As I mentioned in my opening comment, in the EV two-wheelers space, which as I said has been fairly disappointing for the last two years. It is one of those sectors that has never truly taken off. And now and this is one of the things I've been thinking about a lot, at this price point, I mean, most of them have come very close to ICE, two-wheeler price point, even at this price point if we are not seeing that much demand, I think it's a demand issue and which means for us, we need to focus far more on three-wheeler electric, light commercial vehicles, electric buses, other electric vehicles for, at least for India. Outside India, I think it's fairly business as usual.

Gunjan Prithyani: Ok, got it. My second question is on the two new products that, you know, you spoke about park gear and you know, integrated motor controller for the high powered vehicles. Now, on park gear, I mean, pardon me for the ignorance, but this is not, this is neutral to the power train, right? And what is the, you know, potential that we see from this segment? This is something which we've added in this quarter. So, if you can share a little bit more color around, you know, can this be cross sold to existing customers, anything that you can share on the potential or addressable market? And this integrated motor controller, has it got something to do with the Equipmake alliance that we had done, or this is completely different because I thought that was the arrangement for the high powered vehicles, right?

Vivek Vikram Singh: So good question. I'll invite Vikram to speak about the park gear and Sat to speak about the integrated motor controller separately because they're both separate products. But just before they speak, I think when we did that integrated dry motor controller, we realized that it's a great idea from a thermal management packaging, light weighting, cost - all perspectives. So why not replicate it in every type of motor? So why not in Hub wheel and also why not in high voltage, it doesn't have much to do with Equipmake. But let Sat speak about that, but Vikram first

Vikram Verma: Regarding the park gear, it is only used in the EV drive train. So, it's not like power source neutral or in ICE transmission, it is not used.

Vivek Vikram Singh: Vikram a question that we forgot for the customer.

Vikram Verma: What is that?

Vivek Vikram Singh: Can we sell to other customers?

Vikram Verma: Yeah, it is as I said, it is used in all the drive trains in the EV. So, this product can be sold to any, all the other EV players.

Gunjan Prithyani: And what would be the cost of this product, if that's possible to share a broad range?

Vikram Verma: No, again, it is different sizes applied at different points of the drive system. So, it will vary quite dramatically how it is applied.

Vivek Vikram Singh: So Gunjan, It's different. If a class A truck has that, it will be like very, very high value. If a small electric car has it, it will be very low value. I think I tried to explain to someone else that our bevel gas for example, range in price from X rupees to 100X rupees actually. And the average will not give you any meaning because the range is very wide. It's the size of the drive train and the torque. So, it's going to be a very wide range. Sat do you want to answer the integrated motor controller also?

Sat Mohan Gupta: Sure, sure Vivek, Thanks. Gunjan, the integrated motor controller, as Vivek said, I mean, we are looking at to incorporate the technology which we have already developed for the drive motors into the hub motors and take it further from our existing range, which is till 96 volts to 350 volts which would be good for three-wheeler applications, and the light commercial vehicles which is, in 1-to-1.5-ton capacity. As Mr. Deshmukh said, it gives a lot of benefit in terms of efficiencies and the performance. So, we are working in house on in house technology for smaller motors which could be in the range of 40 to 50 kilowatt from 96 volts to 350 volts. As far as the Equipmake is concerned, I mean, Equipmake is for the high kilowatt bigger motors and the voltage is about 350 volts. So, we are having that agreement to support the bigger applications. And I saw the question on when there was a question on, on the development status. Equipmake products' development is as per the plan, we, we are going ahead, and we will start approaching customers. So, there is no delay or there are no issues on the development plan for Equipmake. Hope I answered your question, Gunjan.

Moderator: We now move on to the next investor Nitij Mangal. Hi Nitij, your line is unmute. Please go ahead.

Nitij Mangal: Yes. Thank you. Good evening. And thanks for taking my question. Vivek, can you talk a little bit more about NOVELIC. How do you see that company, let's say over the next 3 to 5 years. What are the key competitive advantages there? And let's say even when you talk about this in-cabin sensor order they've got, I mean, is that because the technology is different? Is it because I don't know, maybe they can do it at a better cost. So how, how are you trying to position NOVELIC over the next 3-5 years? And what is the kind of play area for them?

Vivek Vikram Singh: Thanks, Nitij. Good question. So, I'll start with what we desire or what we hope. We want to make NOVELIC one of the world's most respected and valued sensing companies. So, for now, the focus may be only on millimeter wave radar sensing, but we want to do much more than that. We want to integrate radar with camera to provide a truly integrated solution. ACAM is one of our first areas because in-cabin is a new need in Europe. The NCAP thing has been delayed by a year. So, it's a little slower than it would have been, but it will come in every vehicle. And it is not, Nitij, as I keep saying, whenever we meet that in our industry, it is not just good enough to be better as a product, you have to be better and more economic, you have to do both, which is what we're trying to solve. That if you can put one radar sensor, let's say behind the mirror and that replaces four or five weight sensors that measure detection or if someone sat down or not, it takes away wire harnesses, it takes away the need for other sensors that detect if people are there or not. So, it should actually be net positive for the OEM. That's, that's one of the ways to sell that you not only provide more application cases, but you also provide it at a much better cost than what it used to be. We are looking at adding more use cases like intrusion alert, proximity alert to the same sensor. So that's on the ACAM side. Second, it is also that we're trying to make it a truly mobility company, which would mean even in industrial areas where there are robots, for safety reasons, for lifts, anything that moves. If it has some intelligence, it needs to sense its environment, it needs to sense objects around it and we have a place and we want to be able, I mean, the reason we gave them so much, why are we doing primary funding is this, that make the best talent available to them that they can explore many, many more use cases to take their great technology and make something out of it.

The third area is on the semiconductor chip design which is currently only a small business. It's only about 20% of the revenue of NOVELIC, it's a in a separate, it's housed in a separate subsidiary. We want to make it much bigger, I think a lot more and it is with your background. You would know, although you would have been happier if you'd stayed on with Nvidia, don't you think now? But a lot is moving on to the software from the chip. So the chip used to do the heavy lifting, most of the circuits did the heavy lifting of the logic. Now, a lot of it is actually shifting on to the software enabled that chip. And that's where I think a lot of people like NOVELIC and NOVELIC's origin by the way from IC. It's a Novel IC, novel integrated circuit, that's how the name came into being. We see a lot of potential there. We are investing in it. We are adding a lot of talent. Let's see. Hopefully we'll have something, something to report from that segment too.

Nitij Mangal: Ok, great. Thanks for that. Fairly detailed answer. I have one follow up on that. So, I mean, I would imagine I mean, NOVELIC, will not be doing chip manufacturing, of course, right? So, at some stage, do you, I mean, is there a competition, let's say, if I assume you'll still get chip manufactured from the likes of Infineon and all, right, and those are the companies which are also some of the largest automotive chip suppliers, right? And they would want to also offer such solutions, I think Infineon used NOVELIC design based solutions earlier. So, is there a competition for NOVELIC from who, from companies NOVELIC will be buying chips? Just one more on that, three years, five years old, how much, how big can you think NOVELIC can be as a part of Sona's revenues? Thank you so much.

Vivek Vikram Singh: I would clarify that, I don't think we'll be in competition. I think you know, we don't name customers, but all our chip customers will come to lean upon us far more as the weight shifts from chip fabrication to the software part. And we want to be that trusted supplier. This industry is very fast evolving, this is a new kind of supply that wasn't really required earlier. The chip makers had all of it and these guys were very small. I think out of the total value of the chip, there will be a far more share of specialist software and chip design people. I think that industry is yet to come into its own fully, but it will They have even like a jigsaw puzzle, that they take broken chips, not like full wafers and try to use them as if it's one chip, thanks to the overarching software architecture. So there is a lot more that's happening these days, and I don't think it's competition. I think it's a collaboration. There will be more, I think it's happening in the EV sector also. A lot of people who used to be competitors are customers slash competitors slash suppliers, a lot of these lines I think are merging. So, we will see what percentage we don't know. We hope it is a significant one. We know it will be, we are confident that in five years, we won't be talking in percentages, we will be talking about how many times have we grown by and hopefully that will, that will then see you know how we have been able to execute on this hypothesis. Let's see, but it is an exciting part for business.

Nitij Mangal: Ok. Thanks Vivek, all the best.

Moderator: Thank you very much. We will go to Arvind Sharma. Arvind, please go ahead.

Arvind Sharma: Hi. Good evening. Thank you for taking my question. On the domestic e-Two Wheelers part, we see two things, e-two-wheeler is going smaller and yet the volume is not catching up. So where do you think the industry is heading on? And also, how does that impact your revenue slash profitability?

Vivek Vikram Singh: Profitability will increase. But I mean, they are not the most profitable segment of our revenue, to be honest. It is a great industry, from which we learnt a lot because there is volume, you get to do many iterations of your motors, but it isn't the most profitable one. You can ask any supplier who supplies to Two-Wheeler people that's not a profit making segment. Revenue, it is 7% of our revenue. We will keep adding customers and share of wallet so we will keep growing it, but it isn't at least from what we see today. It doesn't look like it's going to be as big as I would have answered two years ago. Two years ago, I thought the EV two-wheeler space is going to be truly huge in this country. Although if you remember Arvind, when we presented on this in one of our earnings calls. And we said that we think e-three-wheeler followed by e-buses followed by EV two-wheeler followed by EV passenger car is the order we see electrification happening in India. The order remains the same but EV two-wheeler percentage I think should be revised downwards because it isn't growing and we are not also seeing much policy support, although you guys track this far more than I do. It is 7% of our revenues, so is obviously not where we spend most of our energies as a percentage of profit, it will be much lower. So there, there is that, like I said, we've learned a lot in the three years, we started with low power, low voltage, we have kept going up. And as Sat mentioned, we are now working on, 350 volt, 40 kilowatt types of solution. We will keep trying to get higher and higher on both voltage and power and try to get to the larger value segments for ourselves.

Arvind Sharma: Got it. Thanks, Vikram, for this. One more question on that again, domestic EV space in the passenger vehicle segment, like you said for you, PHEVs then BEVs, then hybrids. But now what we also see a lot, at least currently, the models are essentially very similar to their ICE counterparts when we shift to Born electric vehicles in India. Do you see content per vehicle increasing again?

Vivek Vikram Singh: Yeah, that's a short answer. Yes, with increasing torque, our value goes up. That's a very straight-line correlation.

Arvind Sharma: Got it, Thank you so much. Thanks!

Vivek Vikram Singh: Thanks, Arvind.

Kapil Singh: So, we have a question in the chat box. This is regarding your EBITDA sequentially being more flattish, but sequentially if you look at the PAT, it is down. So, if you could just explain that.

Vivek Vikram Singh: Yeah, Rohit, this is for you.

Rohit Nanda: Sure, so typically, in the fourth quarter of the year, we have, you know, certain tax adjustments because of which tax was lower last quarter. You will see this trend in most of the earlier years. So last quarter, there are tax adjustments towards the end of the year. So last quarter tax was exceptionally lower actually.

Kapil Singh: Ok. So, tax rate, average tax rate for the year should be around 24 to 25%.

Rohit Nanda: Yeah, it should be between 24 to 25%.

Kapil Singh: Sure. Deanna that's all from the chatbox.

Moderator: Thank you very much, there are no other questions at the moment.

Kapil Singh: Great. So, we can conclude this call. On behalf of Nomura, I thank the management team of Sona Comstar for taking out time for this call and also all the investors for joining this call. Unless there are any closing comments from anyone, we can close the call.

Vivek Vikram Singh: No, thank you so much for everyone for attending, taking out your precious time and attending our call. Thank you!

Moderator: Thank you everyone for joining today's call. You may drop off the line. Good evening!
