



SONA COMSTAR

Date: 31st January, 2026

BSE Ltd. Regd. Office: Floor - 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. BSE Scrip Code: 543300	National Stock Exchange of India Ltd. Listing Deptt., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 NSE Scrip: SONACOMS
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Subject: - Transcript of Investor Call pertaining to Financial Results for quarter and nine months ended on 31st December, 2025.

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 Friday, 23rd January, 2026 on the financial result of the Company for the quarter and nine months ended on 31st December, 2025.

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
Senior Vice President - Group General Counsel,
Company Secretary and Compliance Officer

Enclosed as above;

SONA BLW Precision Forgings Ltd.
Regd Office & GGN Works
Sona Enclave, Village Begumpur Khatola
Sector 35, Gurugram 122004
Haryana India
T +91 124 476 8200

Manesar Works
Plot No. 13, Sector-2
IMT Manesar, Gurugram
Haryana 122050 India
T +91 124 476 8200

enquiry@sonacomstar.com
www.sonacomstar.com

CIN L27300HR1995PLC083037
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SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q3 FY26 Earnings Conference Call Transcript

January 23, 2026

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 day, ladies and gentlemen. Welcome to Sona Comstar's Q3 FY26 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 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, Deputy Head of Research, India, and Lead Autos Analyst at Nomura. Kapil, please go ahead.

Slide 3:

Kapil Singh: Good evening, everyone. Thank you for joining this call for Q3FY26 results of Sona Comstar. Today, we have, the entire management team represented by, Mr. Vivek Vikram Singh - MD and Group CEO, Mr. Vikram Verma - CEO of Driveline Business, Mr. Sat Mohan Gupta - CEO of Motor Business, Mr. Praveen Rao - Group CTO, Mr. Rohit Nanda - Group CFO, Mr. Amit Mishra - Head Railway Business, Mr. Pratik Sachan - Head Strategy and M&A, and Mr. Ankit Agrawal from the Investors relations team. Vivek, I will hand over the call to you for opening remarks and the presentation.

Slide 4:

Vivek Vikram Singh: Thank you, Kapil, and Happy Basant Panchami and welcome everyone to the earning call of Q3. This has been our best quarter ever across all financial metrics, and proud to report that we have for the first time crossed 1,200 Crore in quarterly revenue and 300 Crore in quarterly EBITDA, and this is the

first time we have achieved this milestone. But as has always been our policy when talking to our shareholders, we'll begin with the challenges.

So first, China's restrictions on the supply of heavy rare earth magnets to India continues. In response, we have shifted to alternative motor designs that do not use heavy rare earth magnets. We are now manufacturing motors for electric two-wheelers and three-wheelers using light rare earth magnets, and this business has continued to grow very strongly for us. Secondly, uncertainties around US tariffs persisted, during the quarter. However, on a positive note, the US administration has extended the tariff relief related to USMCA content for 5 years, to medium and heavy duty vehicles as well. This was previously only confined to light vehicles, so we believe that this should further moderate the impact of tariffs on exporters.

Now coming to the good news, which, as is usually the case, far outweighs the bad. So first, business recovery has been very sharp and well ahead of our own expectations, frankly. Just two quarters ago, I had called Q1 as our worst quarter since IPO, and today we are delivering our best quarter and meaningfully best quarter. So Q3 is our highest revenue, highest absolute EBITDA, and highest adjusted PAT, excluding the one-time labor code-related costs that we have taken in our books this quarter. Secondly, amongst all doom and gloom about EV, EV revenues increased materially, this quarter. This was the 2nd best quarter ever by both BEV revenue and BEV revenue share. This is especially noteworthy in a quarter when North America EV volumes saw big declines sequentially as well as year on year. Third, while the market remains focused on global volatility and potential demand disruption, our order pipeline tells us a very different story.

Our current RFQ pipeline is the strongest in the history of the company, and almost 3 times compared to the same time last year. What it means is the pace of new inquiries is the highest we have ever seen since COVID. This reinforces the hypothesis, that I laid out last quarter of anti-fragility, that we have built a business that tends to emerge stronger from these periods of disorder. We saw this during COVID, and we see signs of that happening again this time around. Fourth, slightly philosophical point, but scale usually creates, or at least suppose to create strength. But what it often does is that it creates a rigidity in businesses. And scale companies with dominant product lines, catering to large geographies, usually find it really hard to pivot. I mean, to pivot in a short time is hard by itself. It is even harder to do so while maintaining growth, and it is the hardest to pivot while maintaining both growth and margins.

And over the last 9 months, we have done exactly that. North America, which was the largest market in FY25, has nearly halved for us. While India has doubled in our revenue mix, and we have achieved this without sacrificing growth or margins, and I'm exceptionally proud of our management team that has pivoted hard at scale and did it without that much pain. Lastly, R&D is, of course, one of our clearest priorities. And since acquiring the railway business, we have re-engineered its R&D roadmap. We have strengthened

the R&D team, and I like to use the word embedded Sona's R&D first culture into the business. And in a really short span of time, we've already added a new product, Air Springs, to our product roadmap. Which, in a commercial way will be, I'd say it will quadruple the addressable market for us in suspension systems. This is obviously for rolling stock in India. Even beyond railways, we commissioned a new product in our motor division, the Hydraulic Motor Controller. We did this during this quarter.

Slide 5:

Next, coming to our performance, in the last quarter, in financial terms, our revenue grew by 39%, year on year, while EBITDA, and adjusted net profit, increased by 30% and 20% respectively.

And I'll pause here, to personally thank Vikram, Sat, Amit, and Rohit and their teams, for this performance. I mean, at a time when many of the global auto component industry peers and bigger companies are talking about weak demand and margin compression, delivering strong growth while sustaining margin at 25% level is a commendable achievement, at least I believe that.

Now moving to BEVs, this was a very strong quarter for EV business. BEV revenues grew 21%, quarter on quarter. And the mix has expanded to 38% in Q3 from 32% in Q2. This was our second highest level till date. And the key thing to note is that this came despite a very sharp decline in the North America EV market. Volumes in the North America EV market fell 45% quarter on quarter. Even on a year-on-year basis, our BEV revenues have largely held up. I know this is 3% down. This is despite North America, which is the second largest EV market, the volumes declined sharply, 36% year on year. So this speaks about the strength of our execution and the diversification of our EV model, that map, which is now in the appendix on how many programs across how many geographies and how many customers. That diversification is what helps us maintain this rate.

Slide 6:

Coming to nine months, despite the painful, painful low of Quarter 1, we are increasing sequentially, and our financial results for the 1st 9 months of FY 26 have also strengthened compared to H1. For 9 months, revenue growth is at 19%, while EBITDA and PAT have increased by 8% and 9% year on year respectively. Most importantly, margins have remained robust at almost a 25% level. As this quarter also marks the end of the calendar year, we have, as is our practice, reviewed our global market shares, and despite the ongoing shifts in trade dynamics, tariff-related uncertainties, we broadly held on to our market share in both differential gears and starter motors. While maintaining margins in our core business. The marginal movement at a global level was largely mix driven, as the incremental light vehicle production growth in CY25 was actually disproportionately led by China, where obviously we have minimal presence.

If we were to exclude China, we've actually gained market share in differential gears for CY 25 for the rest of the world. Especially Europe, and I would say even North America, let's see how things develop, but in my view, we have the potential to increase this market share quite robustly in the next few years from what we are seeing in our RFQ pipeline and the market in general, given competitors and their financial situation right now.

Slide 9:

So now moving to our first strategic priority, which is Electrification. Our BEV revenue share continues to improve to 33% in the nine-month period. This was 30% in H1. Although, on a year-on-year basis, it has declined modestly, because of the weak Q1 and the last quarterly call, I think I've mentioned that there is one model that has really hurt us in this space. That said, we continue to add new EV customers and new EV programs for our existing EV customers.

So during this quarter, we added two new orders, one from an existing customer for a new variant of electric scooters, two-wheelers. And another from a new customer for the hydraulic motor controller, which was developed this quarter. Praveen will discuss this in more detail in his presentation. So now we have 64 programs in EV across 33 customers. Of these, 33 programs are in production, while the remaining 31 are yet to enter production.

Slide 11:

This brings me to our net order book. The order book remained broadly stable sequentially, as new order wins were offset by order consumption. Q3 generally is a little sluggish for purchase order awards because as you know, from 15th December to 15th January, most of the Western world is not really actively engaged at work, so less opportunities to convert RFQs to POs. And although we did not announce any large orders this quarter, engagement from European OEMs and Tier-1s has picked up meaningfully. Like I mentioned, I think in the last quarterly call, as well as the one before that, our European competitors, quite a few of them are facing significant financial difficulties. And a large part of the increase in our BD pipeline, almost 1/3rd of that I shared in my opening remarks, 1/3rd of that comes from Europe customers now. To sum it up, at the end of Q3 FY26, our net order book stands at ₹235 billion and the EV portion remains high at 71% of the order book.

Slide 13:

Our 4th strategic priority is Diversification. And this is an area where we've seen tangible progress. Profitable pivots, as I mentioned, at scale are very rare in the auto industry. And we are executing one at pace without compromising growth or margins. Diversification, those of you who've watched us since our IPO has always been a core pillar of our anti-fragility strategy, and it's clearly visible across geography, products, market

segments, as well as customers. There is a, I'd say, common perception, widely held by analysts, that a higher India mix basically means very high margin dilution. Our Q3 results will, I hope at least clearly challenge this view. The share of our India business has increased to 55% in Q3. Even as consolidated margins continue to remain at the 25% mark. When I wrote about a new "Look East" view in our annual report, it wasn't just words that I was trying to take off the time and try to do because the US tariffs were there. We had taken actions, and the result of the action is visible in just three quarters. So if you look at our geographic mix today, it has broadened quite meaningfully. Eastern markets today can account for 58% of total revenues. This was 33% last year. So this kind of reinforces our belief that in the world that we live in today, diversification, revenue growth, and margin resilience can co-exist if there is a management team that can execute this with competence.

If you look at the market segment front as well, diversification has accelerated quite strongly. The share of non-automotive revenues from 9% in FY25 today is 31% in the first nine months of this year. Off highway has been a bright spot, I must add, with robust growth across all geographies, tractors have done fairly well. Coming to the product side, our fastest growing segment this quarter were EV traction motors and railway brake systems. This you can see in the product mix change. We also saw strong growth in the others category. This includes a range of emerging products such as steering bevel box, intermediate gears, epicyclic gear trains, input rotor shafts, and many, many other motor and railway products. And this category is expected to keep growing as we add new products in this category like hydraulic motor controllers that we've added this quarter. So that's all for me. And now I turn to our Group CTO, Praveen, to update us on technology. So over to you, Praveen.

Slide 15:

Praveen Rao:

Thank you, Vivek. Good evening, ladies and gentlemen.

What you see in front of you is a familiar road map, but ever growing and getting busy. As a technology-focused organization, we at Sona Comstar continue to strengthen our roadmap with new and exciting products. Our goal in this process continues to be to increase content per vehicle as we graduate from pure components to subsystems to eventually complete systems. So this quarter we are very happy to report the addition of two new products to our roadmap.

The first one, which you see on the left in the dotted circle, is the air springs for railway coaches. These air springs have become an important part of modern railway coaches. They provide enhanced passenger comfort and ride quality through superior cushioning. The addition of this product opens opportunities in a growing segment of high-speed trains, including Rajdhani, Shatabdi, Vande Bharat, and Amrit Bharat. The addition of these air springs

also makes Sona Comstar, a comprehensive suspension system provider to the railways.

The 2nd product which you see on the right-side top is the integrated hydraulic motor and controller for farm equipment. This compact motor with integrated electronics operates the hydraulic pump, which aids in lifting farm equipment, as well as in steering, braking, and other auxiliary functions. This product will enhance our offering to the farm sector, where we already provide the traction motor and controller to leading OEMs. Next, please.

Slide 16:

The recent government notification on implementation of ADAS systems for M2, M3, N2, and N3 class of vehicles, or commonly known as medium and heavy commercial vehicles, assume significance for Sona Comstar. The graphic captures our foray into both in-cabin and exterior ADAS solutions. As you're aware, our sensors and software vertical, NOVELIC, is pioneer in the field of millimeter wave radar solutions, and we have set up a state of the art production facility in Chennai for an already awarded business. This in-cabin radar product has been further augmented with a vision system to address the mandates covered under DDAWS as you see on the slide as per AIS 184 regulation. This integrated offering will make a comprehensive solution in the domain of driver monitoring systems to the OEMs.

On the right, what you see is our unique 180-degree field of view exterior radar solutions. And they provide an opportunity for OEMs to replace up to 12 traditional ultrasonic sensors and 4 corner radars, with our just 4 radar sensors. While addressing all the mandates under the new regulations, including Blind Spot Information Systems, Moving Off Information Systems, AEBS and LDWS, Sona Comstar will continue to leverage these breakthrough products to play a meaningful role in the growing ADAS market in India.

Thank you and over to you Rohit

Slide 18:

Rohit Nanda:

Thank you, Praveen. A very good day to you all. It's my pleasure to share our third quarter and nine-month results for the financial year 2026 with you.

The quarter gone by has been the best quarter for the company, wherein for the very first time we've clocked revenue in excess of 1,200 crores and EBITDA in excess of 300 crores. Our revenue for the quarter was 1,209 crores, which is a 39% growth over the same quarter last year. BEV revenue was 320 crores which is 38% of our automotive revenue and is lower by 3% year on year. EBITDA for the quarter was 305 crores, which is a growth of 30% over the same quarter last year. Our EBITDA margin was 25.2% for the quarter. Compared to the same quarter last year, it is lower by 1.8%, mainly because of change in the product mix. At profit after tax level, as you all know, there are new labour codes which have been notified by the government and are

effective from 21st November 2025. Our profit after tax for this quarter had a one-time impact of ₹30 crore from these newly introduced labor codes, mainly on account of additional gratuity provision and to a small extent because of additional leave encashment provision. Once we adjust our profit after tax for this exceptional cost, our PAT was 181 crores, which is a growth of 20% over the third quarter of last year. Our adjusted PAT margin was lower by 2.5% because of lower EBITDA margin and lower net finance income, despite lower depreciation costs as a percentage of revenue.

Slide 19:

Coming to the nine-month results. Next slide, please. Our revenue for the nine-month period aggregated 3,203 crores, which is a growth of 19% over the same period last year. BEV revenue was 795 crores, which is 33% of our automotive revenue and is lowered by 14% year on year. Nine-month EBITDA was 796 crores, which is a growth of 8% over the last year, and EBITDA margin was 24.9%, which is lower by about 2.7% compared to the same period last year, mainly because of change in the product mix. Adjusted for the one-time impact of the new labor code which I just spoke about, profit after tax for the nine months has grown by 9% and stands at 478 cr. Our PAT margin is lower by 1.4% due to lower EBITDA margin, despite lower depreciation cost.

Slide 20:

This brings us to the last slide, which is on key ratios. As I have explained in the last quarter also, different cost and working capital structure of the railway business is flowing through our key ratios that you see on the screen for the current financial year, like value addition to employee cost and turnover ratios in the current year when compared to the earlier years. But compared to what we reported last quarter, there are no material changes because last quarter itself had the impact of railway business already included. However, our return on equity ratio has slightly improved from the last quarter as deployment of capital in the railway business starts to bring in an incremental positive impact compared to the finance income which it has substituted in the P&L account.

In the end, there's an additional piece of information that I'm glad to share with you, which is that we have received our first year PLI benefit from the government during the month of January. So that completes our first cycle of PLI income booking and conversion of it into cash flow. With this, we have come to the end of our earnings presentation, and I'll now hand the proceedings back to the Nomura team.

Moderator:

We will now open the floor for the Q&A session. If you wish to raise a question, please use the raise hand function located at the bottom right of the Webex page. We will unmute your line and prompt you to speak, or you may submit your question via Q&A chat box, addressing all panelists. Please remember to keep your question to a maximum of 2 questions. If you have more

questions, please return to the queue. Thank you. We have a question from Amyn Pirani. Amyn, please go ahead.

Kapil Singh: I think Sneha, we are not able to see him. By the time we figure this out, if you don't mind, I'll ask a question, by the time we get the queue in order. Vivek, you know, you have consolidated the railway business during the year, and, some of the investors were trying to assess the performance of the business, excluding the railway business as well. So how should we think about this? What is the right framework according to you to evaluate this?

Vivek Vikram Singh: It's a relevant question. Perhaps even an important one. But, and I hate to disagree, but I usually don't disagree with you, but I have to on this point. So we don't think excluding railways or any business that is a BU now is a way to assess management or company performance. I mean, Acquiring the railway business was a strategic capital allocation decision. And the key test for us is quite simple, right? That whether it has added to EPS or has it not. I mean, if you look at it fundamentally, the two biggest roles of any management team has and across businesses, right, is generating cash and then deploying that cash. If the cash deployed returns higher money than simply holding it or returning it to shareholders, then the management has done their job well. And there are only 2 things you can control while making these decisions, the timing of the capital deployment, in this case, an acquisition, and the price paid for it. So, let me try and illustrate. Pratik, can you go to the appendix and put that chart which shows our 25-year growth journey. Yeah, this one. Okay. So there are 2 years, right, that we've done meaningful acquisitions of size. The motor business, which we acquired in FY20, that's on your slide there, and the railway business in FY26. If we had not taken those decisions, today, we would be a driveline company only in perhaps half the size of what we are today. And even more importantly, if you look at those years, those years were also the ones where our growth would have been lower or even far lower than our average growth rate. So both times we were able to time the acquisitions right for cash flows to flow in at the right time. And add to the business, and both times, we were able to do it at a price that made it return accretive. I mean, you and everybody on this call would know the statistic of how many acquisitions succeed versus how many failed. If you look at what we have done and what has happened in subsequent years, so the flip in growth after FY20 came because of that acquisition, and then both engines started firing. The goal is that once you develop a flywheel that generates a good amount of cash flow, that you're confident can stably and sustainably keep throwing up cash, you take that extra cash and deploy it, ideally, in another flywheel, not just a plug-in place, something that just adds a gap, something that becomes another flywheel and then generates or throws up even more cash flow, and you keep building on that. So now, after 7 months, I can proudly say that all 3 businesses of ours are long-term sustainable cash flow machines that will keep adding to our cash file. So, yeah, in summary, so what matters to us, at least as a management team with a 15-year outlook, is whether capital has been deployed at the right price and the right time, in a way that improves both

earnings quality as well as earnings stability, rather than how growth appears on ex-railway or ex-motor basis. And not to forget, I mean, railway also adds meaningful diversification beyond automotive. This is fully aligned with our long-term strategy, and often repeated stated goals. And, I mean, going forward, very, very high probability that we will add another BU. We are keeping our powder dry and with a strong balance sheet and I don't know, 1,000 or 1,100 crores of cash sitting with us. We are likely to continue deploying capital prudently, wherever we feel that there is clear earnings accretion and strategic fit. So, 10 years later, when you look back at us, how will you judge that? What should I exclude and what should I include? We are an evolving company. We are a growing company. We will keep becoming something else from what we are today.

Kapil Singh:

Fair enough. Thank you. Just one, last question from my side is on the new products that we have showcased, more on the, ADAS opportunity. Could you elaborate a little bit on this? Are we going to supply only the radars, or are we going to be system integrators? And what is the value proposition that we offer? Is there a competitive advantage here compared to what is available in the market today? Just trying to get a sense of what could be the TAM.

Vivek Vikram Singh:

TAM's pretty big, but we will focus only on the radar module. I'll be honest, we can either be Tier-1 to other large system integrators who are bigger Tier-1s or supply directly to OEMs who are willing to integrate the radar modules themselves. Praveen can talk about the cost as well as the technical advantages. Praveen?

Praveen Rao:

Yeah. So, thank you, Vivek. So, both, in-cabin as well as exterior Kapil, you know, if you have that, slide pulled up, Pratik, so there are several advantages of our in-cabin, as you see on the left portion of this slide. So, these are all our, let's say unique selling points, and it is basically, one product which can do all of these functions. Now, the ADAS regulation mandates a few of these functions today. For example, occupant detection or child present detection or driver monitoring systems, but the product that we are offering to the OEM can do several other things, right several other value-added features. So this is something which we are, pitching to the OEM. The other thing is we are perhaps one of the early ones to set up a facility in India for the radar product, right? if you look at where others are today. So that is something which is exciting because we will be launching production with our first product pretty soon, which means we'll be able to have the opportunity to support all the OEM programs anytime FY27 onwards. So that's a great situation to be in on the in-cabin. Exterior, with all the mandates that are coming up, we have a product which, as I said, can replace ultrasonics and corner radars, so that's a huge advantage in money terms, you know, it's almost like half of what they would be spending today to have this ultrasonic and the radars. So it is definitely a big advantage and we are pitching to OEMs, you know, as, both a technical advantage as well as from a cost point of view. And now with the production facility being there, you know, we are ready to support. So all in all, I think it is very timely with the regulation, coming in, pitching in, you

know, I mean, calendar year 27 is when at different points in time for existing as well as new vehicles, it will be mandated and we are ready to support.

Moderator: We have a question from Gunjan Prithyani. Gunjan, you can go ahead.

Gunjan Prithyani: Thanks for taking my question. Good to see, growth coming back after a really tough couple of quarters. I was just looking for, two inputs. Firstly, I think the traction motor, really solid growth. When I look at it, from an industry level, of course, EV adoption in two-wheelers isn't growing as much. So I just wanted to hear your thoughts on the growth that we are seeing, is it market share gains in the industry? And if you can sort of give us a little bit of color on how the market share stands, like you share for other segments as well, and how big is this three-wheeler opportunity? Has it started to also add in meaningfully? So, a bit more color on how we think about the growth outlook on the traction motors.

Vivek Vikram Singh: Gunjan doesn't need to thank us for taking a question. We are here for just one express purpose to answer all your questions. So, we are at your behest, so there is no need for thanks.

EV penetration as a percentage of two-wheelers may not have changed meaningfully, but our new programs have started kicking in. We are also expanding the share of wallet with existing customers. So the point that we made, that our agility in shifting from heavy rare earth to heavy rare earth-free magnets, that actually helped quite a lot. And I don't want to belabor the point, but this is what I keep saying, that capable people with a strong engineering background in these periods of supply chain or disruption are usually the one to gain share of wallet and market share. But market share calculation within, is harder to give you as a percentage. That's why basically, at the end of year, we'll just see how many electric vehicles are produced. We see how many motors we made, and because only one motor goes in each vehicle, you can just do that division. It's fairly easy. What is hard to quantify is how much of it is still being supplied by China. Some people let you know that they are buying from China. Some people don't tell you that they're actually buying from China. So that is the hard part. But I would say comfortably, we would be the largest, in this space, even if you take other vehicle categories. Three-wheelers' opportunity is big and it's actually growing, one of the fastest, and hopefully in the next couple of quarters, you will see the growth being even more solid. What, because the value is also much higher, right? As the power and voltage go up, the value goes up nonlinearly, actually, it goes up much harder. Because of which, I would say for the next 5 years also, I would expect traction motors and controllers to be our highest growth segment, by far, I think.

Gunjan Prithyani: OK, got it. I think the value opportunity, I assumed is yet to kick in, from the three-wheeler piece.

Vivek Vikram Singh: Some have already started, this quarter some more programs will start, so it is coming in faster than anticipated. And obviously, the big boy piece, which is

the four-wheeler bit, is something that we are working on, and hopefully, we can share something in the times to come. But yeah, it's closer than one expected. Well, that's a really big segment because even if you take a small number of vehicles, and I know that for some reason we say BEV is the only one which has a traction motor. All plug-in hybrids also have traction motors. If you add that total volume and combine, multiply that by the value of the motor and controller, the addressable market is humongous. Even a small portion is a big and meaningful thing for us.

Gunjan: What would be the value if you were to sort of share a range for the four-wheeler?

Vivek Vikram Singh: Can't yeah, because then people can read this and then negotiate against me.

Gunjan: Ok, got it. The second one, I wanted to go back to the comments that you made that, you know, there is a surge in inquiries, almost similar to the supply chain disruption when we saw post-COVID. Can you talk about what sort of inquiries that you're seeing? Is it supply chain diversification? Is it, you know, just the product capabilities, you know, getting more stronger within Indian suppliers? And on the same lines, the whole Europe, opportunity that you spoke about in the last conference call, at what stage are we on that business?

Vivek Vikram Singh: Ok, so I'll take it one at a time. So this auto supply chain is global by nature, right, that customers are spread across the world and even within customers. So we, let's say we say X customer is a North American manufacturer, they would most likely have manufacturing in Europe, etc. as well. The supply chain is also similarly distributed all over the world. When we say that European suppliers are facing financial difficulties, it is not just the European plants. It will also be the US plants and other plants. And I would say about, and this is primarily, by the way, driveline business, I would say is where we are seeing this the most. I will come to starters after this. In the driveline, what we're seeing is that about 400 million to 500 million euros worth of revenue companies might just fold, and all that they do will have to be redistributed across the supply chain. Well, this kind of event happens, the most likely people to inherit this business or get this business resourced, are, well, China and India, and for political or whatever reasons, for North America, that choice will not be China. So it then becomes India or finds another supplier who is strong within the continental United States or within Europe for European OEMs. It is hard to do that. So this is basically redrawing of supply chain maps itself. It is one of the bigger moves. I mean, you know, remember there was a time in 22, 23, you used to ask me about China plus one and all. At that time, even, and I think it'll be in one of our transcripts that I said this is not, it is not as real as people claim it to be, because there wasn't really an imperative to do so. Now there is a financial imperative to do so, so there is a hardcore urgency behind this. And as far as conversion goes, some may have already converted in the 15 days that have passed in January, but they can convert today, they can convert tomorrow because almost all of them

are what we call stage 3 or stage 4 of our pipeline. Which is the phase in which you have demonstrated the product, you have developed the product, and now samples are approved. Now you're basically negotiating commercials. So that's where a lot of this is right now.

For starters, what we are seeing is interesting that the motor market, as you know, there are 5 or 6 large, large global players. Some of them are looking at vacating the starter motor field. So here, the opposite of the electrification thing is happening, that suddenly, a lot of people do not want to make starter motors are really big guys. They may look to shut plants, and that capacity would have to shift somewhere. So that's where the inquiries are coming from, that people who were getting it from one of our bigger competitors, we are probably 6 or 7 in the world in starters, so one of the top 3-4, and they have to now resource. There is no real move towards India. It is a move to competent global suppliers who are already proven at global scale, because we have in the past done those parts, done those assemblies. So the customers are well aware that, you know, we can do it. You would rather, when you're in an urgent situation to resource, you would want to go with a tried and tested person. So that's where it is today.

Moderator: Thank you. Please be reminded to keep your questions to a maximum of 2 questions. If you have more questions, please return to queue. Now we will take the next question from Nitin Arora. Nitin, you can go ahead.

Nitin Arora: Vivek just first continuing this question what Gunjan asked, and giving the way your confidence right now and has been in the last two quarters about this opportunity, how do you think about, you know, profitability of this opportunity? My question is, you know, we used to be a very when North America used to be very big, we were like 27% margin company. I mean, I'm not saying that today you are not a very big margin company. The question is that. How do you think about this profitability movement happens when these orders also starts coming to you? Because I'm assuming if the way I'm reading your commentary, nobody will come for one or two orders if it's a supply chain thing. He will obviously will try to scale, vendors and, you know, auto ancillaries like you for the longer run. So how do you think about profitability on that, on that account? And second, I know India is becoming big for you now, and I need your outlook, more on, one aspect which is commercial vehicle, which is a lot of noise in the last 2-3 quarters, and, we as an analyst always think that, you know, eventually the fundamentals should prevail, you know, the fleet size is pretty aging, growth should come back, but it has always been a false start. But this time it's almost like a 3rd month where the industry is growing in almost 20%+. Just need your outlook on that as you are also a supplier there. So just these two questions.

Vivek Vikram Singh: I'll cover both. CV, obviously, we have a good insight because we are. I don't know what word to use, but we are like above 80-85% of CV industries are our differential gears. So, we see that very quickly, and you're right, it is always wise to wait for 3 months before you take any judgment call on whether a CV cycle started or not. We have seen 5 false starts in the last 5 years. I hope

this one sticks. I actually was thinking that the GST cuts would be the best for the CV industry, and when immediately it did not materialize, I was slightly confused because usually we pride ourselves on getting these calls right. I think it will. So in India has done well because of traction motors, as Gunjan pointed out, trucks, as you pointed out, tractors, and train brakes. So all 4 T's, so the 4 Ts have done well for us and I think all four are going to continue for some time. From a purely the trends we have seen in the past of vendors CV cycle go up, down, tractor cycle, all of them seem to be in favor of that hypothesis. On the first one, the margin front, same answer I'll give that I gave to you when you asked me this question in, I think it was April, May 2021 before our IPO. It doesn't really matter what new business we add, subtract. At that time, I used to say our range of EBITDA will always be between 25 to 27. After we acquired the railway business, as you know, it has significantly lower margin than our average. I said it will be between 24 to 26. I don't think it will change, man. Like this is, also understand that these are the projects we are talking about, if I take their total value. It may be the inquiries we have in the pipeline it may be 2 to 3 times our revenue size. We can't possibly do all of them. So we will, of course, try to be prudent about it and choose the opportunities that are more commercial vehicles, more bigger vehicles, SUVs, pickup trucks where torque is high, and value addition naturally is high and gross margin is high, and hence our EBITDA margins are high. So we will continue to be that way because there is an element of choice also here, right, that if it is a really low margin, only volume increasing opportunity, we don't do those things. It is very easy for us to have today, at the end of the year, obviously, to have been 6,000 crore company with the same EBITDA. But those empty growth type of programs, we will almost always reject unless there is a high strategic reason to do it that because of doing that, we get something else which is meaningful. Otherwise, we don't. And most of these opportunities that are coming, maybe actually, most of them that I can remember, at least are higher margin than what we do today.

On the India piece, I think, going forward, hopefully the EU-India FTA should happen going forward. I'm also keeping our fingers crossed for an India-US trade deal happening. If those two do happen, I think this pendulum will swing back and then the West portion of our revenue will also go up. We do not seek that India should become 80%, because what is the meaning of diversification then? So we would want to keep a healthy mix, and we do see that North America and Europe will increase in the times to come. Have I answered your questions Nitin or not?

Nitin Arora: Yeah, thank you, Vivek, and all the best to you and, and the team.

Vivek Vikram Singh: Thank you Nitin.

Kapil Singh: Vivek, I'll take Amyn's question. He's not able to connect. Can you comment on how we should think about the recurring impact of labor codes on employee costs going forward? Probably this is for Rohit.

Rohit Nanda: Yeah, so, see, our current estimate is it should be around 4 crores a year. I mean, why I say this is because, you know, the rules and all are yet to be notified, so our understanding of this will improve as we go along, as would be the case for everyone, but should be ballpark around 4 crore per annum.

Kapil Singh: Ok, Rohit, while we have you, there are a few questions from Raghu as well, which are on the financials. So just let me run through one by one. There is an improvement in gross margins QoQ. What has led to this increase?

Rohit Nanda: So Q on Q, it has to be product mix only.

Vivek Vikram Singh: Yeah, it will be product mix. So if you have more products that are assembled in nature, I would say versus if the driveline grows. No, Driveline will have more, right? Ones you make from component will have higher gross margin, and the ones you assemble will have lower gross margin. So that's just a mixed thing.

Kapil Singh: I think the second question we have covered on recurring impact of employee expenses from Q4, he specifically asked from Q4.

Rohit Nanda: Yeah, so, Ok, I mean, if it has to be that specific, 4 crores per annum will mean 1 crore a quarter.

Kapil Singh: Yes, are there discussions with Europe OEMs at an advanced stage for orders relating to driveline parts due to bankruptcy of three competitors?

Rohit Nanda: I thought Vivek already covered it, no.

Vivek Vikram Singh: Yeah, yes, and I think I'm now reading those questions. So there's one question on the exact PLI amount, and Rohit, please do not answer that.

Kapil Singh: Would total railway revenue be 357 crores this quarter?

Vivek Vikram Singh: So we don't report segment wise or BU wise revenue. I think we are trying to take this, like I explained at length to you, Kapil, we are trying to take this thing away from this, I'd say almost Excel sheet-oriented approach that what row is what. Our job is not to help build better models. Our job is to run a business. These 3 things are product lines. Our job is to ensure that on a consolidated level, we as a company continue to do well. What contributes, what is an internal MIS metric? It is not for outside. We give a fair amount of color on which product, etc. has given what I think that is enough. We have always been very transparent on that. We have not ever changed or gone back on how much we report, but more than that, sometimes becomes analysis for no real outcome.

Kapil Singh: Okay. And what is the potential of a hydraulic motor controller?

Vivek Vikram Singh: Yeah, Praveen. If you'd like to answer that one.

Praveen Rao: So, as I opened up on the hydraulic motor controller, so it has wide applications in the farm sector, and as you would know, in farm sector, you have a lot of agricultural implements which are used for towing, plowing, sowing, and many things like, PTO operation, so, all of that actually run on hydraulics in most cases. So, to run the hydraulic pump, you need a hydraulic motor, right? And that's what we are launched. So, application is wide, widespread, in the farm sector. We have just begun with one program, but the opportunity is, you know, immense, and especially with electrification happening in, tractor segment, it is, only bound to grow.

Kapil Singh: So, Sneha, back to you.

Vivek Vikram Singh: There's another interesting question that I noticed because I read the Q&A thing. Someone asked about differential assembly revenue. Why has it grown sharply on a Q on Q basis?

One of our customers, our oldest EV customer, has had some differential assembly revenue recovery, I will say and then some other customers also, their programs, especially in Europe, actually, EV growth in Europe has been fairly decent for us. So, EV plug-in hybrid, so differential assemblies has grown because of that reason. And the person who noted it, I have to compliment him. This is absolutely the correct analysis that for 3 consecutive quarters, we saw a decline in those volumes. So we were very happy that this quarter finally started inching back up.

Moderator: We have next question from Rishi Vora. Rishi, you can go ahead.

Rishi Vora: Vivek, my first question is on the couple of partnerships which we announced, right, Enedym, C-Motive, Equipmake. Can you just give us any update on all these partnerships in terms of product development? And just one clarification, when you talked about, four-wheeler, traction motor, we are working on it. Is it for cars or is it for, you know, other commercial vehicle segments? Just a clarification on that.

Vivek Vikram Singh: So we are working on it doesn't mean we have a purchase order yet, otherwise we would have put that out. We are working. For all segments, whatever they may be for 4 wheels and above. Hopefully, in 6-7 months time, we will have a meaningful update for you.

Rishi: Sure, because in the past, I remember you had said that passenger vehicle is not a segment which you are focusing on because the competitive intensity over there is on the higher side. So is there a change in thought process in that segment, at least in terms of product development?

Vivek Vikram Singh: Oh no, what I'd said, and I'll clarify, was exactly this, that we will start with 2 wheelers, then move on to 3 wheelers, and then the toughest to compete is in 4 wheelers. So we will go to it in the end when we are certain of the capability of our product, the advantages we bring to the customer, and only then would it make sense. If we are not able to do it ourselves, we'll, of

course, figure out a way to collaborate, partner, do something, but it is a segment that we will come to in the end, and this is something I had said in I think 21 or 22 calendar, when we had shown the map that we eventually want to address every single market segment, but this will be our order of progress. As you know, since then, we have done quite well. I hope our numbers speak for themselves. We are perhaps the largest, if not the largest, we will surely be one of the, at least the 2nd largest in volume terms. I doubt if we're not the largest in 2-wheelers. In 3-wheelers, we have made a meaningful dent. So it is time, and we have worked enough that we keep aspiring upwards.

On your second question, again, these are partnerships that were formed in 21 and 22. Not that much. These were, and now with the hindsight advantage, I think in public markets, purely R&D types of partnerships should not be announced, because people ask questions, as if they'll be commercial opportunities. We were trying to explore, so I'll tell you all three. All three were trying to develop rare earth free motors. I will let Praveen and Sat talk about where we are with each other then, but it is not something that can happen instantly. For 200+ years, motors have been made using magnets. To challenge that, you need breakthrough innovation and almost inventive leap. And that does take a much longer time frame. We continue to work with, I think, Equipmake, Enedym as well as C-Motive. We continue to monitor it, but Sat and Praveen can guide more on where we are, with those.

Sat Mohan Gupta: Thanks, Vivek. On Equipmake and Enedym, I mean we are working with both the companies and both the partners. We are trying to see that how we can perfect the application requirement, into these technologies. So right now, it's in validations and trying to address some of the concerns of the current application requirement on C-Motive, maybe Praveen can help on.

Praveen Rao: Yes, Thanks Sat. So, C-Motive, as we informed, earlier, it's a kind of a moonshot technology. It's what's called electrostatic motors. So, their primary applications were industrial, basically to replace, let's say, conveyors or electric fans with this kind of motor. The automotive was a challenge to be handled later because automotive talks about reliability, safety, form factor, packaging and other things. So they are currently in the state of, you know working towards industrial applications, and I believe once they address that challenge, we can then move to automotive because our requirements, as I said, NVH and safety are still quite strong. So I think that is for the future, but for now, I think they still have work to do before we get to automotive.

Vivek Vikram Singh: But, Rishi, good of you to remember that old things.

Rishi Vora: Yeah, thanks, team, for the answer. And, one last question for Rohit. If you could, just refresh on the commodity contracts because aluminum and copper prices have gone up sharply. So is it a pass-through in all our subsegments, or like just, what are the broader contractual terms for the commodities?

Rohit Nanda: So, steel is a pass-through for driveline business, for motor business, copper and aluminum is a pass-through. Steel is not a pass through in all the contracts. It's only a pass through in some of the contracts. So, that's how it will stack up.

Vivek Vikram Singh: So, while we did not mention anything on commodities, just for knowledge that we have achieved these margins and held on to them despite actually a quite sharp increase in commodity prices. Which although it does not affect absolute EBITDA it does affect the EBITDA margin because it gets added in numerator and denominator if you pass through also. So, whilst, mostly we pass through, but numerically, it always depresses margin. It has happened to us in FY22. If you remember, that was the first time our margins fell below 25%. When we go above 26 or 27%, that happens when commodity prices cool off quite a bit, and then numerically or mathematically, the margin goes up.

Kapil Singh: Vivek, there are a few questions in the question queue, so let me just, read out, some of those. One was on, how is the situation on rare earth supply panning out?

Vivek Vikram Singh: I think I addressed that in my opening comment, no supply from China on heavy rare earth magnets. We are still restricted as a country.

Kapil Singh: There were some questions on, earlier, some question marks on, light rare earths as well. Is that fine, or is there any risk there as well?

Vivek Vikram Singh: It's fine so far. Don't scare people.

Kapil Singh: On the differential assembly, there was a follow-up. Is the EV plug-in hybrid a new program or ramp up of existing programs?

Vivek Vikram Singh: Ramp up of existing programs. There has been no material big program that has started. Any program that started recently would be small ones. Pratik, you can correct me if I'm wrong.

Pratik Sachan: Yeah, that's correct. It's an already existing program getting ramped up.

Kapil Singh: I think there are a few questions which are along the lines that macro, do you see macroeconomic policies worldwide conducive for EVs? Most of our orderbook is from EVs. Do you see a risk there, because of the policy changes?

Vivek Vikram Singh: The policy changes that were to happen have happened. I mean, like when people say when the worst has happened, you can actually breathe a sigh of relief because you're already through it. So, all EV subsidies or credits that were being given in the US have been scrapped already. This, so this performance is despite, all of that. I did mention in my opening statement that 45% negative growth sequentially for the North America EV market. So

this is despite all that. Europe, but if you actually go and study, and I think, BofA team takes out this mobility newsletter, which is pretty good in which they track market by market EV sales. So if you add BEV plus plug-in hybrid, which is basically our segment, you'll see pretty decent performance in Europe, because now what is happening is that as battery prices continue to come down, economically, the EV is making more sense. And once the world has seen that happening in China, they realized that even without any incentives, the EV is the better way to go. I think you will see that, at least in India and Europe, you will see a very, very high tailwind for EV and actually, most of you, I think, already concur from what I read. I don't read many of our company coverage reports, but when you guys publish the auto sector report, I do read it. I think you will also concur that the tailwind is very strong for Europe and India now in EV.

Kapil Singh: Sure, and then there's a question on what's the status of products proposed to be developed under the Neura robotics MOU? What is the ballpark TAM you're looking for in robotics and humanoids as this is a very nascent stage?

Vivek Vikram Singh: Correct. I did address that last time also. Do not ask for 5 years. Now, we are much wiser after being public for 5 years. Please do not ask. This is something we are doing. I had explained to the length that 0 to 5 years, you spend money, but don't make money. 5 years, you start making some money, 5 to 10, you make money, right? When we announced our suspension motor, we were met with a lot of skepticism and scoffing in 21. Until 24, it was right. We did not make even a single dollar. 25 when we made the first dollar 26 will be when we'll make millions, and hopefully 28, 29 is when we go into tens and hundreds of millions. That is how it scales. When differential assembly for EVs 2016 to 2019, we made no money. 2019 onwards, we started making some money, and then it became tens of millions of dollars post that. This is the usual product development cycle. So if this is for making decisions on the near term basis, please do not consider it at all. Indulge us that these are something that we are passionate about and like to talk about, but this is not for today. This is for the company 5 years later. We make 15-year plans. We don't do this for the short term, and we never will.

Kapil Singh: Okay. One question is on the rare earth free motors. How do they compare in terms of usage or output to rare earth motors, and then some comparison with, where, heavy rare earth or light rare earth which are less efficient, some color on that as well.

Vivek Vikram Singh: It's a good question. Sat, would you like to answer it? Actually, let's do it in three ways. What is heavy rare earth, heavy rare earth free or light rare earth and Ferrite? What are the three differences? I think Sat can answer this well because he has been telling this to customers and the government for a while.

Sat Mohan Gupta: Between heavy rare earth and light rare earth, the difference is not major. It impacts two things. One is the performance, which is in terms of the efficiency of the machine and the thermal handling of the system or the machine, you

can say. So between HRE and LRE, I mean, we work on different parameters, to meet the application requirements. So we work on copper, we work on the size of the motors, internal size of the motor. And try to see that, I mean, there is not a big change between HRE and LRE application requirement.

When it comes to ferrite. Ferrite is more thermal-friendly, but, as far as the power of ferrite is concerned, it's lower than HRE and LRE. In that case the efficiency factor comes down drastically, and even after working on the design with more copper and other components. Still, it lacks and it increases the weight of the vehicle. So, the good fit, I mean, what we have seen and what we have done is to replace HRE with LRE, which is without impacting the, application and the customer requirements but Ferrite is a good option, to manage the supply chain more effectively, but it comes with a little bit of challenge on efficiency as well as the weight. I hope I answered.

Vivek Vikram Singh: Yeah, So net net, two-wheeler, three-wheeler, if you engineer the product well and make some changes to the motor topology, design, other materials, you can using LRE magnets, get to the same application. So there is no, no OEM or none of our customers at least will compromise on product quality. So we will get to the same product quality by a few changes, and the ability to change fast, does help you, as I answered to Gunjan, increased share of wallet and market share when these changes are happening.

Kapil Singh: Then there's a question on, what are the tariffs for Sona in the US and EU? Who is paying the tariffs?

Vivek Vikram Singh: I'm not gonna answer this question, otherwise, you know, somebody big might get very, very unhappy. Very, very fundamentally, the tariff is paid by an importer, not by an exporter, because that is how tariffs work, that if you import something, you have to pay a tax that is what it is. Apart from that, I think it's well known. It's not like Sona has some special arrangement, with any country or government. Everybody has the exact same tariff rates if they're from a certain country, or if their products fall under a certain HS code. So, it is defined by HSN codes, and you pay that tariff accordingly.

Kapil Singh: Then one question is regarding the strong RFQ pipeline, how long does it take for the order book to translate to revenue?

Vivek Vikram Singh: Good question.

Kapil Singh: Question should be how long does it take to first translate to the order book?

Vivek Vikram Singh: Yeah, I think the first part is the one that once you get a purchase order, anywhere between 12 to 18 months is what it takes for revenue to flow and sometimes even longer, it can even go up to 24 to 30 months. Depends on how early that OEM has moved. What we're talking about are also special situations in which it is what is called a running change, that you have a supplier and you're switching midstream. Those typically are shorter time cycles. So, the answer is, very sadly, that it depends. It depends from program

to program, context to context, as swiftly as 8-9 months, and as long as 30 months, from start to revenue.

Kapil Singh: And one question on financials is employee cost has increased 14% QoQ. Can you indicate the reason for the increase and whether further increase is expected in the near term?

Rohit Nanda: No, so we don't expect an increase in the near term. I mean, of course, some part of the employee cost is also linked to the revenue. But the staff cost, there's an annual increment cycle which we have, which is from October to October and that's the reason why you see an increase in the employee cost here. So in the near term, it should not go up.

Kapil Singh: With this, I think I've covered all, all the questions in the queue. Sneha, back to you.

Moderator: Thanks everyone. Due to time constraint, we have to conclude this call now. If you have any further follow-up questions, please feel free to email your Nomura sales representative or corporate access team. Thank you everyone for your time. You may now drop off the call.

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