

Date: 31st October, 2026

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BSE Scrip Code: 543300	NSE Scrip: SONACOMS

Subject: - Transcript of Earning Call pertaining to Financial Results for quarter ended on 30th September, 2026.

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 Earning Call held on Monday, 26th October, 2026 on the financial result of the Company for the quarter and half year ended on 30th September, 2026.

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

PANKAJ GUPTA Digitally signed by
PANKAJ GUPTA
Date: 2026.10.31
18:24:20 +05'30'

Pankaj Gupta
Senior Vice President (Legal),
Company Secretary and Compliance Officer

Enclosed as above;



SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q2 FY27 Earnings Conference Call Transcript

October 26, 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: Ladies and gentlemen, good day and welcome to Sona Costar Q2FY27 Earnings Group Conference Call. Please note all participants 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. 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 confirm or deny any customer names or relationships due to confidentiality reasons. Please refrain from naming any customer in your question.

Now I will hand over the floor to Mr. Kapil Singh, Deputy Head of Research India and lead auto analyst at Nomura. Kapil, please go ahead. Thank you.

Kapil Singh: Sorry, I think I was on mute. Yeah, good evening, everyone. To take us through the Q2 results and to answer your questions, we have the entire management team of Sona Comstar. Mr. Vivek Vikram Singh, MD and Group CEO; Mr. Vikram Verma, Full-Time Director and 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; Ankit Agarwal, Investor Relations and Prateek Sachan, Head Strategy and M&A.

I will now hand over the call to Vivek for his opening remarks and the presentation. Vivek, over to you, please.

Vivek Vikram Singh: Thank you, Kapil and welcome, everyone. There are times when everything comes together in perfect synchronicity, this was that quarter. Q2 was almost a perfect quarter for us across all metrics- financial performance, new order wins, technology and new products, cash flow generation, and our total quality management.

We delivered our highest ever revenue, EBITDA and PAT. BEV revenue also reached an all-time high, and for the first time, contributed more than half of our automotive revenue. We commercialized 3 new products, the most we have ever done in a single quarter. We also recorded our 3rd highest ever order additions in a single quarter, with wins spanning across almost every major product segment. Last quarter we had outlined, as you'd remember, our ambition to grow 10x over 10 years under our Sona Comstar 2.0 vision. Q2 gives us much higher confidence in our ability to deliver on that ambition.

But as always, while talking to our shareholders, let me begin with the challenges.

So let me start with addressing the margins upfront. Last quarter, I had spoken about margins improving on cost passed through coming through from customers. However, this quarter, the continued margin pressure has been there, but it's mainly driven by change in product mix. Traction motor demand has significantly exceeded even our own internal expectations. The business has grown almost 50% quarter on quarter. That has obviously pulled down the overall margin percentage a little bit.

Inflation was and still is the second factor. The war in West Asia continues to cause pressures with further increases in steel, copper, and oil derivatives. Freight rates have also risen sharply, they've nearly doubled from the previous quarter's level. Strong growth and better operating leverage is what has helped us absorb most of these pressures and continue to at least hold the line on margins. Looking ahead, stronger traction motor demand is changing our mix and broader inflation linked to West Asia remains uncertain. Both these factors are largely beyond our control, which makes near-term predictability a little difficult. However, it is mostly good news because absolute EBITDA continues to improve at a very high clip.

So let me return to the positives and there is a lot of positives to talk about this quarter. So let me start first with demand. Demand for EVs continues to accelerate. Our EV business grew by almost unbelievable 129% year on year. In India, strong demand for electric 2 and 3 wheelers was the biggest reason.

This is what drove a very sharp increase in traction motor sales. Globally, the shift towards EVs has supported the strong growth in our EV driveline revenues. And suspension motor, which is our fastest growing product driven by its success in China, is also in an EV customer. So we're seeing growth across products, across markets, and across vehicle segments, and frankly it shows the strength of the EV portfolio that we built.

Second, our business development efforts saw many meaningful wins in this quarter. We secured our 3rd highest order wins by value and ended Q2 with the 2nd highest order book in our history. These wins cover almost every major product category like I mentioned, from differential assemblies and gears to traction motors, controllers, starter motors, sensors, as well as railway products.

Third, we commercialized 3 new products, our highest ever number in a single quarter. I mean, most companies would count themselves fortunate if they have 3 new products in 3 years, for us this is a quarter. We've introduced a helical limited slip differential, air springs for railways, and rear radar sensors for two-wheelers, and Praveen will talk about these in more detail in his section.

Fourth, cash. We delivered our highest ever free cash flow from operations. In just 6 months of this year, we have generated more than 1.5 times the FCFO we generated in the entire FY26.

And lastly, and absolutely not the least, I'm particularly proud that our driveline division has won the 2026 Deming Prize for Total Quality Management. Vikram, Balaji and his team have worked towards this for nine long years and improved processes and systems manyfold along the way. So take a bow Vikram, Balaji, wherever you are, and many, many congratulations to all of you.

Slide 5

Okay, now let me take you through our Q2 performance. Revenue grew 35% year on year, while EBITDA net profit increased by 23% and 29% respectively. The business has grown quite strongly and well, frankly, ahead of our own expectations, so I want to thank the entire team for delivering this performance.

Turning to BEVs. We continue to see electrification growth, with growth accelerating to 129% year on year. For the first time, BEVs contribute more than 50% of our automotive revenue. Even if you look at it sequentially, BEV revenue has grown 40%. Even as US EV market, the deliveries have broadly remained unchanged. This demonstrates that our EV business is becoming more diversified and less dependent on any single customer or single geography.

On a personal note, our Ebitda this quarter was 356 crore. When I joined this company, that was roughly our revenue for the whole year, to now generate that much, ebitda in a single quarter is a meaningful milestone for me, and also a reminder of how far we have come, even for people following our public journey. When the IPO happened, I think this was roughly our annual revenue that we now do in a quarter. For H1 as well, the numbers are strong.

Slide 6

We delivered strong growth across every single financial measure. Our revenue, Ebitda & PAT grew by 43%, 34%, and 36% respectively. Our return ratios have also improved, and we expect them to continue improving, and Rohit will walk you through the details of this in his section.

Slide 7/8

Now we come to our strategic priorities. And there is one change I want to highlight here. We are broadening our first priority from electrification to EPIC mobility. For the sake of repetition, this stands for Electric, Personalised, Intelligent and Connected solutions. As we have started winning orders in robotics, physical AI and other intelligent and connected solutions, it is the right time for our stated priority to reflect that broader opportunity and that broader change.

Slide 9

So let's now look at it on a combined basis. Our EV business obviously has had a very strong quarter. The first half BEV revenues have crossed the 10 billion mark. This revenue share was, I think, 30% in H1 last year, and now it's 48% for the first half. We also secured 4 new EPIC programs during the quarter, 3 in BEVs and 1 in intelligent and connected solutions. So at the end of H1 FY27, we have 75 EPIC programs across 37 customers. Of these, 44 are in production and 31 are yet to start production.

Slide 10

Let me also touch upon some of the key order wins of this quarter in EPIC. First, we won an order for our new helical limited slip differential. It's quite a mouthful, but it's a far more improved product. It is for an existing EV customer, and it helps us, be first, and it also gives us higher penetration in another geography. It is easily among our most advanced and highest valued driveline products for cars, and this win reflects a lot of effort from our engineering team to deliver on this.

Second, we won an order for a rear radar sensor, this is for a two-wheeler customer in India, and for us, this is a new customer. This is the first time we are working with them. This expands our two-wheeler offering, of course. It adds radar sensing to our traction motor and controller portfolio, so it opens up a new market.

Third win is for an integrated motor controller. This is from an existing EV customer, and we also see our ability to offer more integrated products.

Fourth is additional traction motor volumes from an existing customer where we have got a revised PO with increased volumes, which also shows our ability to keep penetrating and increasing wallet share even with existing customers.

Slide 11/12

Don't want to leave our old and ICE businesses behind. I know our new horses are running fast, but our old horses continue to run at speed as well. So we won 3 new notable ICE programs, I would say. First one, actually, the second one is the entry into differential assembly for ICE passenger cars. So as you know, we've been fairly successful in EV differential assemblies. With this one, we are starting for ICE as well. This was an existing customer for differential gears who have now converted into a differential assembly customer. The initial order size might look small, but if you look at the TAM that it opens up for us, it is a very large market for a product that we already make, and in the EV segment, we are one of the world leaders.

There is also a starter motor program that is mentioned. This is for an existing customer and several, several new differential gear programs across the board in North America and India. So what I'd like to say is if you take all of this together, these wins are improving not only the quality of our orderbook, but also the breadth of our orderbook across powertrains, geographies, customers, as well as product categories.

Slide 13

So if you look at the quarter as a whole, we won 36 billion worth of new business, which is the 3rd highest quarter for order additions. And unlike those previous times, it is not anchored or moved on just one very, very large order. It is distributed across several wins. And thanks to that, we have closed Q2 with a net order book of 251 billion. As we continue to win new business in EVs and albeit small, but the robotics and physical AI orderbook also continues to be built. It's 4%, we are hoping in the decade to come, this becomes what EV has been for the last decade for us.

Slide 14/15

Let me now close my section at least with the diversification piece. We continue to see meaningful progress across all fronts. When we made the strategic decision and I wrote in my annual report letter to shareholders about our look east policy. Eastern markets contributed about 1/3 of our revenue at that time. This quarter, if you look at that chart, they contribute almost 2/3 of our total revenue. And it is quite encouraging to see how quickly we have executed on that decision and pivoted so meaningfully in just 2 years.

On the product side, we're seeing progress across our product portfolio. EV Suspension Motors was our fastest growing business this quarter, and I think it's already reached 7%. So if you look at railway brake system, suspension motors already equal to that for the first half. Newer products continue to gain scale and our established differential gear and differential assembly businesses also continue to grow fairly strongly. So if you look at DA plus DG together, you'll see that on a year to year basis, 37% increase has come in our old traditional business as well.

And I think the biggest driver for this diversification has been new product development. And if I were to put that into perspective, a way to look at it, or the way at least I look at it, traction motors and suspension motors were both developed through our in-house R&D completely organically in just the last 4 years. And together, if you take them, they have an annualized revenue run rate of 1400 crore. This is roughly equal to the revenue of the entire company in FY21. So we built almost another company just through two new products, and that's the power in engineering and the ability to continue to make new products. And this compounding is what is central to not just Sona Comstar 2.0, this is what led us from where we were to our first decade, and we very strongly believe that this is what will lead us into the next decade as well.

There is not much to talk about in the market segment. I think apart from the obvious one that's staring at everyone, that the two-wheeler, three-wheeler are now 14% of our revenue, beyond that, the split of 70, 30, 70 auto, 30 non-auto continues. And technology, again, I would like to re-stress that technology is the reason we are able to deliver the financial results that we do. And that is the bedrock of what we will continue to build. And with that almost perfect segue into technology, let me hand over to our group Chief Technology Officer, Praveen, for the tech update. So over to you, Praveen.

Praveen Chakrapani Rao: Slide 16/17

Thank you, Vivek. Welcome, everyone. I would like to take you through our technology roadmap. As you all have noticed, we have commercialized 3 new products this quarter, helical limited slip differential for passenger cars and SUVs, air springs for railways, and a rear radar sensor for two-wheelers.

The first product is helical limited slip differential. A limited slip differential or what we call LSD improves vehicle traction by limiting excess speed difference between the two driven wheels. Helical limited slip differential is a type of LSD that uses parallel axis helical pinions interacting with the side gears to generate internal axial and radial forces. This passive mechanism delivers smooth, progressive torque transfer without a conventional clutch pack or external actuation. LSDs are typically used in performance vehicles, off-road SUVs, and 4x4s.

The next product is air spring, air springs are used in most modern railway coaches, including LHB coaches. These coaches use a two-state suspension system. The primary suspension uses coil springs to filter high frequency track vibrations, while the air spring forms the secondary suspension connecting the bogie to the coach body. Airsprings enhance passenger comfort, maintain a constant ride height, and isolate body movement. Together with the dampers, which control oscillations, they provide a smoother and safer ride at high speeds.

The 3rd product is a rear radar sensor for 2-wheelers. 2 wheelers are amongst the most vulnerable vehicles on the road, making timely warnings critical to rider safety. A rear radar sensor does precisely that, by warning the rider of a potential rear end collision or a vehicle in a blind spot. It provides valuable time to maneuver to a safer position. As a pioneer in automotive radar, we recognized early the potential for applying this technology for two-wheelers. Together with safety systems this product can make a meaningful contribution to improving road safety. With this, I turn to our group CFO Rohit to update us on the financials. Over to you, Rohit.

Rohit Nanda:

Slide 18/19

Thank you, Praveen. A very good day to you all. It's my pleasure to share our 2nd quarter and H1 results for FY27 with you. First, the quarter's results, our revenue for the quarter grew by 35% year on year to ₹1,546 crore. Compared to the previous highest revenue of 1310 crores, which was clogged in the last quarter only, it was higher by 18%. The higher revenue was led by 129% growth in our BEV revenue year on year, which now constitutes 51% of our automotive product sales. Our EBITDA for the quarter grew by 23% to 356 crores. EBITDA margin was 23%, which was lower by 2.3% compared to the same quarter last year. The margin was lower primarily on account of change in the product mix and higher input prices. Which were partially offset by a positive impact of the operating leverage. Profit after tax grew by 29% to 223 crores. PAT margin was 14.4%, which is lower by about 0.5% compared to last year. We had a positive impact on the PAT margin from a lower depreciation percentage, whereas the margin was pulled down by a lower EBITDA margin. Moving on to the H1 results.

Slide 20

Our H1 revenue grew by 43% year on year to ₹2,857 crore. Our BEV revenue grew by 119% to 1,042 crores and constituted 48% of our automotive product sales. Our H1 EBITDA grew by 34% to 659 crores. EBITDA margin for the half year was 23.1%, which is lower by about 1.5% compared to the same period last year. The reasons were largely similar to what I just stated for the quarter, so primarily changes in the product mix and higher input prices and a positive impact of operating leverage which helped us offset part of this impact. Profit after tax grew by 36% to 404 crores. PAT margin was 14.1%, which is lower by about 0.5% compared to last year. We had a positive impact on the PAT

margin from lower depreciation percentage, whereas it was pulled down by a lower Ebitda margin and lower net finance income in the first half.

Slide 21

Moving on to the cash flow slide. This has been a high cash yielding first half for us as Vivek has already briefed you. We generated 594 crores of cash from operations, which was 90% of our EBITDA for this period. This was supported mainly by release of 44 crores from working capital, despite a very high revenue growth in this period. Net of capex spend of about 148 crores. We generated 446 crores of free cash flows, which was more than 50% higher than what we generated in the last full financial year. Other key movements in the cash flows included dividend payment of 112 crores. There were cash inflows on account of additional borrowings of 224 crores, there was an inflow on account of ESOPs exercised by employees, about 108 crores and finance income of about 32 crores. Consequent to all these movements, as of end of September we had cash and investments worth 1,966 crores. This brings us to the last slide which is on the key ratios.

Slide 22

Now here, all these ratios except for VA to employee cost showed improvements in the first half of the year. In case of VA to employee cost, the ratio, there is a decline compared to previous period, mainly due to change in the product mix in favor of assembly products. Our return ratios continue to show improvement. Post absorption of QIP fundraised impact, the incremental returns from businesses are now supporting this improvement every quarter. Net debt to ebitda ratio continues to be in the negative territory for obvious reasons. In terms of the turnover ratios, both these ratios showed significant improvement in the first half due to a robust revenue growth. In case of working capital turnover ratio, though, it was also supported by release of working capital, despite a significant jump in revenue. With this, we've come to the end of our earnings presentation, and I'll now hand over the proceedings back to the Nomura team.

Moderator:

Thanks everyone. 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 to all panelists. Please be reminded to keep your questions to a maximum of 2 questions. If you have more questions, please return to queue. Thank you.
We have a question from Arvind Sharma. Hello Arvind, please go ahead.

Arvind Sharma:

Hi, am I audible? Great, good evening, sir. Thank you so much for taking my question. The question is on the suspension motors business, which has seen a very strong growth, since Vivek said, you know, almost 7% of the revenue. What is that key driver for this business to see such a strong growth in this

quarter, and is it possible to shed some light on the order pipeline in specific segment?

Vivek Vikram Singh: Thanks, Arvind. The question is interesting. The problem is the answer is not very linear. See, when a new product is launched in the world, and this is the first of its kind fully active suspension system. It is very hard to predict the trajectory. The first time it was launched by our end customer, and this is public information, so I can share it was with Nio. Their first model that it was launched on did not do so well, but that wasn't to do with this product it was to do with that model did not do well because of pricing or what the consumer opt. When they launched it in their new model, it has exceeded everybody's expectations on how well that new model has done. So eventually, regardless of how good we are, how good our OEM customers are, eventually, the consumer decides what all of our fates are. And that is the thing with initial, but now that we have seen the market appreciation, the market adoption, this would be a typical S curve. The order book so far is limited to that one customer across, now it will span across variants. There are significant conversations going on with other OEMs and as those orders are won we will obviously report them, but the future looks fairly bright. When customers realize that adding a new technology product helps them sell more vehicles, that's when you start doing well. So I know I can't give you anything definite because I don't know anything definite in this. It looks bright, how bright we don't know but it has the potential to be massive.

Arvind Sharma: Got it, thanks, that's very helpful. Anything that you can share on the Denso tie-up or is it too immature to talk about it right now?

Vivek Vikram Singh: I think for last quarter we shared the announcement of JV is now we have to finalize and close those. So, JV 1 of course has its legal timeline so I think. Rohit & Sat, who would like to take this up?

Rohit Nanda: So we're targeting to close this JV 1 part of it which is carving out of the business by end of December because of the year-end holidays there is a possibility it may spill over to January but that's the kind of timeline we are looking at. JV2 maybe I'll request Sat to sort of chip in what sort of timelines can be communicated

Sat Mohan Gupta: Sorry, I was on mute. JV2 has not yet formed up but we are targeting to close and have it sometime in the 1st half of calendar year 2027.

Arvind Sharma: Got it sir. Thank you so much for taking my question. That's all from my side sir.

Vivek Vikram Singh: Just a clarification, the holidays are not for us. We don't really go on holiday in the winter but our advisors and partners sometimes do, so that does make us slower than we would like.

Moderator: Next question is from Chandramoli Muthia.

Chandramauli Muthia: Hi, good evening and thank you for taking my questions. I have two questions, the first question is on the competitive situation in Europe. We have seen our legacy businesses grow and pick up in the first half of this year, after a slightly easier competitive situation we've been facing there. I just want to understand how that's shaping up?
How long do you expect the legacy business to continue to grow at this healthy clip before possibly entering more modest mature growth rates on that part of the business similar to what it has been historically?

The second question is just on robotics. You have mentioned that Sona might have aspirations to make actuators, India as a market historically maybe has not had as much of legacy in making actuators. So I just want to understand what are some of the internal milestones that we have in mind before we can make robotics-ready actuators? Thank you.

Vivek Vikram Singh: Sure, Chandramoli and it's good you asked me this. I will try to say this without sounding immodest. India does not have the history of people doing 9% type world market shares in any product. So many products that you pick of ours will have a high large world market share. That you can say for any single product. You could say we shouldn't even be successful at motors.
No Indian company has had that market share, even if we take a nascent product like Traction
Motors and you actually do the market share ex-China and you'll find that it's about 9-10% of the world even in traction motors this company from India.
So just the fact that it hasn't happened does not have any bearing on what could happen. And technology and engineering are not determined by where you are from or who you know, they are truly democratic and if you're good you will. There is also no legacy of someone making a new product that goes into a vehicle and then it does exceedingly well in China from India. So we have faith in ourselves we will continue to believe in ourselves and continue to believe in our engineering and we will try. More often than not we have succeeded but that we will leave to god to determine and faith to determine.
The first question is interesting, in Europe we are gaining more business and we're seeing a lot more traction as a lot of European OEMs want to have an alternative supply chain to China and that would be good for India overall but very good for Indian companies who can meet global quality standards and have their own IP and design capabilities.

Coming to how fast we can continue to grow legacy business, I would say for a fairly long time, I mean in differential gears as we are barely about 9% of the world, in differential assemblies now that we make ICE & hybrid differential assemblies also, we should take it as a total we are barely 3% of the world, I think it's many, many years before we say oh we are running out of room to grow. I don't think we are there, that we have to start thinking that we are so big that we will start plateauing in growth, that's a very long time.

Chandramauli Muthia: Got it, that's helpful. Thank you very much and all the best!

Moderator: Next question from Gunjan Prithyani. Gunjan please go ahead.

Gunjan Prithyani: Hi, thanks for taking my question. First question is on the traction motor business, I mean pretty huge growth in this quarter, I think it is far ahead of where the industry growth has been, I am just trying to understand you know how do I think about this business in terms of the scale up. Is it the larger wallet share that we are getting with the existing customers, maybe a little bit colour on three wheeler business adding in more meaningfully now that you could share more insights on how big that business is and was there any new program which commissioned in this quarter, a little bit color of this quarter and how do I think because there's clearly a significant change in output in terms of the revenue acceleration that we've seen with the traction motor business.

And the second question is on the differential assemblies business again, after many quarters meaningful improvement in the differential assembly business as well. And you mentioned that NA North America's market has been stagnant in terms of overall EV numbers, so if you can give some color on what led to this? Is it new program or is it geography mix change? Some thoughts on that.

Vivek Vikram Singh: Certainly, so while I'll invite Sat to answer the details of why the motor business has grown because I don't want to steal his thunder. But Gunjan how to think about it is very optimistically and very positively, that's the answer for that. Sat can give details on what has happened this quarter

Sat Mohan Gupta: so Gunjan, I mean for motor business it's both. I mean there is an increase in the wallet share as well as our existing OEM business has grown compared to the previous quarters, so it's contributed by both.

Second is that I mean we have got good traction on the 3 wheeler business in addition to the 2-wheeler business and ya, going forward it's looking pretty good because we will be launching few more products in this quarter and but overall, it's a combination of market growth as well as the wallet growth.

Gunjan Prithyani: Any color on the 3 wheeler? Like how significant is it of the overall traction motor business now? I think that was pretty small so far, we just knew it was

supposed to see a new program addition, so of the number can be quantified how big it is?

Sat Mohan Gupta: May not be the numbers but yes as I said that we are launching another product in this current quarter so that will further increase our share in EV business.

Vivek Vikram Singh: And Gunjan, not fair to keep as a sub segment, you know how many sub segments will we continue to keep tracking then, it is meaningful as you know if you look at the programs we have won and the customers we've won, our market share is substantial in three-wheeler in electric. So as those programs start ramping up, they should kick in.

Second to your point that why is it higher than industry growth?

You see any time when there are difficulties for good reasons or bad reasons, bad reasons like the magnets problem was there, because of our technical capability we were able to circumvent that and go to light rare earth and scale up faster and gain more. Even in very high demand situations when people are struggling with supply chain, a lot of people can't ramp up their production that fast. We have the capability and the capacity available to do that with agility.

So whenever OEMs are challenged, whenever it's not business as usual in fact those times are best time for us to gain wallet share, so that is in a nutshell why this has happened.

On differential assemblies, all three of our large customers in that space in EV, all three of them have picked up this quarter. You know last year so many bad things were happening. I started with Q2, there are quarters where everything comes together in a perfect synchronicity. Q1 last year was when all the bad things in the world came together in a perfect negative synchronicity. And life teaches you and humbles you that there are times when even things that are very predictable and seem to be 100% certain can go away from you. This is just reversion to mean, to be honest. Otherwise a lot of this should have been there always. So it's growing.

I mean. It was not really normal what was happening at that time and we were on the wrong side of any luck or fortune based decision at this time which has corrected itself. Again second is always our performance if you are a supplier who's reliable, who does high quality product and can support customers through thick and thin, you over the medium to long term will always win.

Gunjan Prithyani: Alright, I'll join back the queue. Thank You so much!

Moderator: Next question from Basudeb Banerjee.

Basudeb Banerjee: Hi team congrats and Vivek with 356 crore Ebitda per quarter hoping you start delivering 356 crores non operating income per quarter down the line. Just to understand with two quarters of 23% kind of margin and rising mix of motor controller 2-3 wheeler business, rising orders from robotic segment, railways moving up the curve. Leaving aside that commodity situation, from a 2-3 year perspective how to look at the margin mix from your earlier guidance of 23% to 25% range as we know motor controller business relatively is a lighter margin business so any change from that perspective with the changing mix?

Vivek Vikram Singh: So first Basu, 'apke muh mai ghee shakkar' and second I don't think there is any reason to change our range, I think 23-25 is fair. We are genuinely in exceptional inflation at this point. I mean if you look around in the world regardless of whether you are in manufacturing or not, just look around in your daily life you'll realise how bad inflation really is. In my career, I've not seen inflation like this. It can't continue at this level for too long without major disruptions in other things. So I do not see any reason to change that range. Rohit you can add, I mean we have done an exercise on how the next five years will look like and we kind of have an idea on where margins stack up, so Rohit can shed probably more light on this

Rohit Nanda: So, hi Basu. I think for now like Vivek said, holding on to 23-25% range makes sense because like we have already said there is a large part being played by the product mix also so you know for us also we project numbers and like Vivek said this quarter we've seen, let's say, traction motor growth faster than we had anticipated. Now, the way the product mix will eventually move will also be a determining factor given that you know it's transparently known that let's say one particular product line makes lesser margins so I think it is going to be a mix of that. Material prices if they continue to be this high if they are flattish I think we should be able to hold on to this margin because eventually with the lag of material prices pass through to the customers the only scenario where it deteriorates is if the material prices continue to inch higher. That also seems improbable because beyond a point things start to break down, so I would say let's say if the world is operating in a normal fashion then we should probably around 23% I don't hold us to like every 10 or 20 bps, but I think that's probably the ballpark, the range we see at least given how we see the product mix panning out.

Vivek Vikram Singh: Basu, in short, unless oil goes to 150 when all bets are off, we think we will hold.

Basudeb Banerjee: Understood. Second question, Rohit sir in the call in the beginning you said cash and liquid investments at 1900 cr odd, so is that net or absolute?

Rohit Nanda: That's gross Basu, net would be between 1400-1500 crores.

Basudeb Banerjee: So say 1400-1500 crore second half of this year another 400-500 crore of FCF and by the year end 900 crore from DENSO so you will be sitting somewhere around 2800 to 3000 crore net cash potentially. So, just to understand like since IPO we have only seen Novellic as a M&A or some substantial kind of a thing.

Rohit Nanda: You are forgetting railways, Basu.

Basudeb Banerjee: No no, in core business other than railways. So like aerospace is a segment where everybody is looking at. So, how to understand the deployment of such huge size?

Vivek Vikram Singh: So Basu da, again very happy that what you say comes true but you're forgetting that what we get from Denso we'll pay tax on. We will pay tax in normal cause also we also have capex we also will have some working capital and JV2 also has some you know amount that we will block for the capex for that. We will have a substantial cash balance at the end of the year and M&A is the right way to look at it. Just because everyone is doing it, is not the reason we will do it. We will do it if it makes sense for the company. As you know we are very selective about M&A We have only done three in last decade. And for us it has to be and I'll again repeat the four filters that we use to identify this.

- (1) A product that we believe will continue to be in these devices, vehicles, devices whatever it may be for at least the next 15 years.
- (2) It should be something in which we can have some kind of market leadership either today or in the future that we believe we can be amongst top 5-10 in the world. World class is the only class we want to be part of.
- (3) It should make financial sense for us that it should have healthy margins. It should be margin accretive, return accretive and it should add value to us.
- (4) it should be something that we believe is good for the world. And sometimes the definition of good is on how we define what is our moral code, right.

Capability is what we will look to acquire not capacity, not customer and 100% not because other people or everyone is doing it. I think the surest way to destroy shareholder value is to follow the herd and say everybody's doing it, I must also do it. You don't win that way you do not become leaders like this. And last but not least we are happy to be patient. According to our calculation, cash to ebitda ratio as long as it doesn't go above 1.5. we don't have to rush into any decision. So we'll be patient whatever we do will very deliberately and we would do what is best for every single shareholder of this company.

Basudeb Banerjee: Great to hear that, thanks

Moderator: Next question from Pramod Kumar. Pramod please go ahead.

Pramod Kumar: Yeah thanks a lot everyone and congratulations on the excellent set of numbers, and Vivek and team congratulations on the Deming award as well. I think historically the companies which have got the award in India have gone to do great stuff for their industry, so hope that journey starts for us. It is already there. On that count, my question is about humanoid robo opportunities sir. Because you've previously stated that you plan to target 60% of the build of material in this industry and this is and I look at the kind of statement coming from SpaceX Elon Musk on the kind of potential here. Just trying to understand, if you can help us understand, what is the kind of R&D spend we are doing here? What is the kind of timeline in terms of say product validation status and what are the capital allocation plans for this dream of yours to materialize? And, are you also positioning your existing global EV driveline infrastructure to act as a supplier for such large projects with your existing customers, if you can just share your broad thoughts there.

Vivek Vikram Singh: Thank you Pramod for that very leading question. As you know, we do not mention customers' names. Our aspiration of course is to be global suppliers and you are right 60% of the BOM is something we have capabilities in. If you take the BOM out and look at the software part also, there also we have enough capability in the perceptions stack. So hardware as well as perception we have capabilities in both and when we say robotics, humanoid is one form factor, but one is right in front of you on the screen, AMRs which actually by units maybe a much bigger opportunity set. Intelligent industrial robot is another opportunity set and a Robotaxi, frankly, is the deployment of physical AI.

It is far more complex frankly than, apart from the degrees of freedom in the hand if you look at how fast a Robotaxi has to maneuver and what a varied environment it has to maneuver it is quite complex. So all those are application sets. I think we have the capabilities, we have orders, it's still small, 4% of a 250 billion order book is I would say small compared to our size, it will grow. As percentage of R&D, I mean when we give ranges for EBITDA etc those are considering all these facts. We are spending on R&D during this time, actually considerable sums for our standards. And everything is in-house. A lot of this R&D is just our time so the Novelis teams' time, our driveline's teams' time, they are doing a full-time job which may be different and also you know devoting a lot of their management bandwidth and time to these technology developments. It will continue, the capex as you know we had declared last quarter I think that 62 crore of capex is for this area. That should cover it and I will invite you to Bharat Expo whenever that happens, hopefully we'll show you some of these things and then you can visualize much better what is it that we are talking about. Powerpoint is

powerpoint at the end of the day. To see it, is to believe it. Bharat Expo is I think in February, we should be able to demonstrate some of these things including what is on your screen.

Pramod Kumar: And Vivek one thing, at least if you were to look at the next 3-4 years, which year do you expect to be the big inflection point for this business of yours because the scale is humongous. So I'm just trying to understand which year according to you, when it becomes a sizeable part of your business in terms of order wins?

Vivek Vikram Singh: It's a hard question, Pramod to answer. I don't know is the real answer. EV if you'd asked me in 2016 and I was much younger, I was just 36, so I was super optimistic I said two years and what actually happened was 2016 2017 2018 2019 it didn't really grow, it was 1% of our revenue even in 2019 and now it's 51%. The thing is when these curves start it's very hard to predict and now that we have public listed and this is a recorded call, you know, you can always hold me to it that that day you had said, which is why we don't want to stick our neck out on this one. Whenever it does come, the curve will be very steep. That is something I can guarantee. I just don't know when that point is. The point, I think Kapil can weigh in, or he's shared a couple of reports with me, I hope he can share with you guys as well. Although you guys compete so I don't know if you will read his reports. But with physical AI models becoming open-source with the cost of compute going down by about a thousand times, the cost side is moving very, very fast on all physical AI devices. What is not moving as fast is the simulation to reality in deployment in real world environments. So one of the things we are doing right now is that AMRs we have developed, we are deploying as we speak on our factory floors to develop those use cases, get that real work training, get that as a feedback, loop and improve the products. So, we don't know, is the short answer, long answer I have already given but whenever it happens it will be super steep.

Pramod Kumar: Ok, final one on the railways. The growth outlook given that we are launching new parts, new components and we have stepped up the R&D upwards there. What is the growth outlook on this business for the couple of years?

Vivek Vikram Singh: Since we are in Amit Mishra's home, in Faridabad, in his factory, let him answer this one.

Amit Mishra: Hi Pramod. We don't share business-wise growth outlook, or we don't give forward growth guidance but I can talk about growth levers, so we have a, I think the product addition or new product introduction will be the main growth driver over the next three years. We are working on new products within brakes, couplers, suspension. This quarter we supplied air springs and it

has just started and will ramp up. Within this year we have supplied first batch of HVAC systems to customers, so that will also go up in the coming quarters. Electric panels have started in a small way, that's also in the ramp up. So we have multiple products which have started or gone into serial production and we have orders. According to customer requirements, we will ramp it up over the next few years. And we have enough in the product pipeline to support our growth over the next five years. That's what I can share. It is more dependent on whether we are successful to launch these products on time.

Vivek Vikram Singh: Pamod, in short we've already given our aspiration which actually does imply a 25% CAGR. There are three stars we have Vikram, Sat & Amit, and sometimes some will shine brighter than others and it'll be different quarters, different businesses will have different growth rates, but overall as one company I think we feel good that in the medium term we should be able to stick to that CAGR.

Kapil Singh: I'll just take a couple of questions from the chat box. The first one is what is the scenario with heavy rare earth metals? Will the company switch back to heavy rare earth for performance motors?

Vivek Vikram Singh: They're not available, it's a fairly hypothetical question I'd say because as you know the restrictions on export of heavy rare earth materials from China continue, so in that scenario it is not possible, if they were to be once again abundantly available we would of course, try and use it wherever it is imperative to use it. But again right now that question we haven't thought of because they're not available and right now we don't see any signs that those restrictions will be eased.

Kapil Singh: Second question, on margins don't we have passthrough arrangements with our clients that can incident margins?

Vivek Vikram Singh: Yes, we do. Rohit you want to explain the numerator/denominator effect on even if margins are passed through why percentages continue to drop?

Rohit Nanda: Ya, so like we said before, there is a pass through mechanism with the customers but there will be a lead lag effect essentially. The prices will go up first and then with the lag, the prices get passed on to the customers. So one is that impact; secondly even when the full pass-through happens because numerator and denominator change by the same value, so, the delta to both numerator and denominator is same, so arithmetically the percentage margin tends to come down.

So, I think that's the point, whenever there is an inflationary trend in the material prices these are the two impacts generally once the prices start to go up immediately there is a margin impact because of the lagged effect with which the pass-through happens and once the price is stabilized there is

an impact because of the arithmetic and as and when prices start to come down the reverse also is true, it comes into the reverse mechanism so the margins will improve as and when the material prices start to come down. So that's how it functions.

Vivek Vikram Singh: Yeah just to illustrate on a very simple mathematical basis all things being equal, if the price is 100, 75 is the material cost and 25 is margin. And let's say 75 increases to 80 and you pass it through, and you get it back. What it is, is now you can still make 25 but you make 25 divided by 105 and hence your margin as a percentage goes down. So that's what happens in these inflationary situations.

Kapil Singh: And the last question for the day is, Robotics & Physical AI, are there any plans to deploy humanoid robots on Sonacom's production floors for repetitive tasks?

Vivek Vikram Singh: We are evaluating. Let me be short about it, we are evaluating it and we are evaluating where it makes business sense. It has to be seen with the lens of when will the pay back reap? Like any machine you decide on, this is also one. So this is a business decision as you would evaluate any machine. It's the same way we'll evaluate an industrial robot and the same way you will evaluate humanoids. But we are evaluating it. There may be areas where the first area will be tasks that are unsafe or low acceptability to human beings are the first task actually that would come, that if humans cannot do it is a better thing for a machine to do it. Replacing humans just for the sake of it is not really anybody's target in a country with a large population like India. That should also not be your target. It has to make business sense and it has to be a degree of return higher only then would we actually evaluate it.

Kapil Singh: Okay, thank you team. That was the last question for the day. Vivek I will ask the floor to you in case there are any closing remarks.

Vivek Vikram Singh: Yeah, one is that you do not have any questions this quarter.

Kapil Singh: My peers have asked a lot of interesting questions so in the interest of time, otherwise you know.

Vivek Vikram Singh: So thank you everyone for attending. As you can see, our financials were so good and heavy that Rohit and Vikram are on one screen sharing the screen to give those results.
And thank you so much for asking us good questions, please if you ever have any specific and actionable feedback let us know we'd be happy to incorporate it in our presentation, in our communication and what we do with others. Thank You!

Kapil Singh: Thank you everyone and have a good day.

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

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