



Date: 6th May, 2026

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Subject: - Transcript of Investor Call pertaining to Financial Results for quarter and financial year ended on 31st March, 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 Investor Call held on Thursday, 30th April, 2026 on the financial result of the Company for the quarter and financial year ended on 31st March, 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

Arjun Singh
Compliance Officer

Enclosed as above;



SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q4 FY26 Earnings Conference Call Transcript April 30, 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 the Sona Comstar Q4FY26 earnings group conference call.

Please note that all participant lines are in the listen-only mode. There will be an opportunity to ask questions after the presentation concludes. This call is being recorded. We request that you keep your lines muted except when asking a question.

Some of the statements by the management team during today's call may be forward-looking in nature and we request you to refer to the disclaimer in the earnings presentation for details. The management will not be taking any 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.

I will now hand over the floor to Mr. Kapil Singh (Deputy Head of Research India & Lead Auto Analyst) at Nomura. Kapil, please go ahead. Thank you.

Kapil Singh: Thanks, Sneha. Good day, everyone.

Once again, it's my pleasure to host the management team from Sona BLW. We have with us Mr. Vivek Vikram Singh, MD and Group CEO; Mr. Vikram Verma, CEO – Driveline Business; Mr. Sat Mohan Gupta, CEO – Motor Business; Mr. Praveen Rao, Group CTO; Mr. Rohit Nanda, Group CFO; Mr. Amit Mishra, Head – Railway Business; Mr. Ankit Agrawal, Head – Investor Relations; and Mr. Pratik Sachan, Head – Strategy and M&A.

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

Vivek Vikram Singh: Thank you, Kapil, and welcome everyone.

Q4 was the best ever quarter across the board. The quarter saw us hitting our highest ever revenue, highest ever EBITDA, PAT, BEV revenue, as well as BEV revenue share in the history of the company. But as always in our policy, when talking to our shareholders, we'll begin with the challenges.

First, inflation has hit the industry pretty hard. Over the last 5 months, all major commodities for us, steel, aluminum, copper, have continued to move up. This has been further amplified by a sharp increase in freight, packaging, and energy prices. Frankly, almost everything linked to petrochemicals has become more expensive. And while a large part of this commodity inflation is pass through, 1) some parts are not passed through, and 2) there is always a lag and that lag along with the arithmetic impact on both revenue and cost, will put pressure on our margins, which we expect to continue seeing in the foreseeable future.

The second headwind, if you will, is the increase in minimum wages, which was announced by the Haryana government effective 1st April 2026. This will have some cascading impact on our labor cost. However, we are working to mitigate it through productivity improvement, through tighter control in headcount addition, and better workload management.

Since we are a high growth company, we believe we have some levels to observe part of this impact over time because whenever we add manpower, we can be more prudent in having less manpower growth as compared to the revenue or production growth.

Lastly, gas availability has been a challenge, as all of you would know. We have partially mitigated this by shifting part of our gas requirement to electric heating, by optimizing gas flows and modifying certain processes. These initiatives have helped us to reduce our gas requirement by nearly 20% at the company level. And the key point to note is that despite this constraint, we did not have any production loss at all so far.

Now coming to the good news, which is, as is usually the case, it far outweighs the bad news.

So first, electrification is clearly back in focus. War, of course, is always, always deeply tragic, and there is no positive way to look at the human cost of war. But one evident outcome is the renewed urgency towards energy security and electrification. We have started seeing this in the data as well. So in March, BEV sales grew by nearly 45% year on year in the EU. In India, electric cars and two-wheelers grew 65% and 45%, respectively year on year, in March. And both are trending above 50% in April as well. So we think it's a sustained trend of electrification growth across the board. Even North America saw its best monthly BEV run rate in March, ever since the US subsidy cuts for EV, which has been a setback for that subset of the industry. So all in all, after a period of weak EV sentiment, the EV narrative is shifting again, and as all of you would know, we are fairly well positioned to gain from this.

Secondly, our antifragility thesis has started playing out. We've always believed that we've built a business that tends to emerge stronger from periods of disorder. And Q4 is evidence of that thesis. We won 4 new driveline orders. This is significant for two reasons. First, we've won 3 driveline orders from European OEMs in a single quarter. This is the highest we've ever done

in a single quarter from Europe. Frankly, this is the first EV order win from Europe in almost 4 years. This gives us confidence that the current global reset in supply chains can open meaningful opportunities for us and have market share gains in Europe, which are meaningful for us. Also, order wins were not limited to BEVs. One of the four orders this quarter was for a hybrid platform, which reinforces our views that hybrids are an opportunity and not a risk. So whichever path electrification takes in whichever geography, we have the capability to participate and to win.

Third, we are entering FY27 with the strongest balance sheet we've ever had. We closed the year with nearly 1,270 crores of cash, and our cash generation remains strong. Our FCFO upon EBITDA remains at a high level. And this financial strength gives us valuable optionality – optionality to invest, optionality to grow at a time when others may be constrained. In a volatile world, I mean, this is what makes our business more anti-fragile.

Fourth, now, this has always been a strategic priority ever since our IPO, but I want to press upon diversification. So this quarter, if you saw North America PV sales were clearly weak while Europe had the best quarter in 4 years. Now, because we are meaningful players in both, the net effect was in a way mitigated because of this. In fact, the difference between North America car sales and European car sales was one of the narrowest differences I have seen apart from the COVID and semiconductor crisis here. But what I have to comment on and what truly stood out was India – passenger vehicles, commercial vehicles, and electric two-wheelers all hit their best ever quarter in Q4, and India's share in our mix has now crossed 50% for the full year. And this goes to show that our geographic diversification is working, and weakness in one market does not materially affect the overall growth trajectory for the business.

Lastly, we are making strong and consistent progress in R&D for our newly acquired railway business. This quarter we received approvals to supply two new products – electric panels and HVAC systems. So in a short span of almost 10 months, we've expanded our railway product offerings beyond safety critical brake systems and couplers. Now it includes products that enhance passenger comfort and not just safety. We supplied the first batch of electric panels for locomotive applications, and we will start supplying HVAC systems this quarter. So new product development remains a foundational growth driver across all of our businesses.

Slide 5:

Now I go to our financial performance in the last quarter. Our revenue grew by a fairly strong 47% year on year, while EBITDA and net profit increased by 32% and 17% respectively. Here I want to reiterate that our business recovery has been fairly robust and well, to be candid, it's well ahead of our own expectations. If you'd met me at the end of June and asked me if this is a quarter that we will have in Q4, I think I would have been very happy and would have thought you of being more optimistic than I am. So I want to

thank my entire team. All of them have done very well to enable us to bounce back so quickly.

I'll also touch upon BEVs. This was our best ever quarter for both BEV revenue, as well as for BEV revenue share, which has reached 39%. BEV revenues grew 22% year on year, and this is despite EV sales in the US declining by 28% year on year in Q4. The mix, as I said, is the highest ever at 39%. And this, this kind of goes to show EV business is not overly dependent on any one market, any one category, or any one customer, and that is what we have been trying to build. Yes, there will be years and quarters in which you will have blips and setbacks, but overall the strategy is working and working well.

Slide 6:

For the full year, I'll say this was a tough year. There's no way we would have wanted to end up here if you'd have asked me 15 months back. But if you see how demoralizing the lows of Q1 were for us, professionally, to the loss of Sunjay in Q1, the US tariffs, the magnet ban that happened in Q1, and an increasingly challenging and volatile geopolitical environment. I'd say we as a team have had to endure and overcome a lot, both personally and professionally. And yet we have delivered 26% revenue growth, 13.5% of EBITDA growth, and 11% PAT growth. With sequential improvement across all metrics. I think it's fairly reinforcing of the belief I have in our business and in our teams. And despite consolidating the lower margin Railway Business, or having a high growth from the lower margin Traction Motor business, we have still managed to end FY26 with a full year EBITDA margin of 24.7%.

Slide 9:

I'll come to electrification, The message is simple – momentum is back and it's strengthening every quarter. While full year BEV revenue declined marginally, that is due to that extremely weak quarter 1 that we had. Since then, they have improved consistently, and we've ended Q4 with the highest ever BEV revenue. The revenue share has also followed a very similar trend.

We also continue to add to our EV order book. We've added 3 new EV programs and 1 new hybrid program. And importantly, we also added 2 new EV customers in Q4. So at the end of FY26, we have 67 EV programs across 35 customers. 37 of them are already in production, and 30 are yet to enter production, which gives us a healthy pipeline for future growth.

Slide 10:

Now, let me spend a minute on the new wind because they're directionally important. The amounts may not be very large, but directionally, they're a very good signal.

First, we added a new European customer for differential gears for their EV program in North America. Second, we won an order for EV differential

assemblies, from a luxury PV OEM in Europe. Third, we received a new order from an existing European OEM. This is for hybrid differential assemblies. And fourthly, here we supply to a tier 1, where this EV differential assemblies program is in India, which will supply to both Indian and European OEMs. It's a shared program, and both of them are existing customers of Sona Comstar.

Now these wins matter, I would say beyond the numbers because they show that our business development efforts are bearing fruit, especially in Europe, and across powertrains, EVs and hybrids, and across geographies, Europe, North America, India. And this is exactly the kind of diversified growth platform that we've been trying to build for the last decade.

Slide 12:

So this is obviously our scorecard at the end of the year on how we have done in business development. If you remember, in Q2, we had done a significant correction to the order book because of one particular model. Despite that, we have ended FY26 with fairly similar last year levels, and this is despite the growth we've achieved during the year.

During the year, we won 31 new programs and added 3 new customers, which, of course, validates our relevance in the broader automotive as well as the EV ecosystem.

Slide 13:

Coming to the order book, I've covered the EV programs already, and I also wanted to highlight the non-EV wins because there were quite a few. So in Q4, we won 7 Non-EV differential gear programs, and all of them from existing customers, which totaled ₹3 billion addition to the orderbook. The remaining order wins came from either segments like starter motors and railways,

Basically, the order momentum is broad-based. It is across powertrains, across geographies, and across customer types. So at the end of Q4 FY26, our net order book stands at 237 billion, with EVs accounting for 70% of the orderbook.

Slide 15:

Moving to a fourth priority, which is diversification. And we made, I'd say meaningful progress here. When I wrote about the Look East strategy in the annual report, it wasn't just words or a long-term theme that would play out over years. It was a statement of deliberate effort to broaden our focus as well as footprint in new geographies, and you can see that the results are already visible. Eastern markets contribute 60% of revenues in Q4 compared to 40% in the same quarter last year. This also proves that we can diversify without compromising on growth or margins.

And the same trend is visible on the product side. So one takeaway that I will give you, last year, our top 4 products contributed 86% of our revenue. This

year, the same 86% of revenues is actually spread across top eight products, so double the number of products to consume the same percentage of revenue, which means the revenue base is becoming broader and less dependent on a few products. If you look at the product growth story, it was fairly encouraging. Sequentially, the fastest growth came from traction and suspension motors, followed by differential assemblies and differential gears. And it's always good to see our newer products getting scale, but it's very heartening to see our old horses, our legacy products, which are differential gears and differential assemblies, continuing to keep growing and keeping pace with our new products.

The market segment analysis is broadly the same as that at the end of nine-months.

So with this, I'll turn to our group CTO Praveen, to update us on the technology roadmap. Over to you, Praveen.

Praveen Rao:

Thank you, Vivek. Welcome, everyone.

Slide 17:

The year began with a significant enhancement to our product portfolio with the addition of railway products to the roadmap. This also marked a significant step in our journey to diversify from pure automotive space to being a player in the wider, fast-growing mobility space.

It has also added capability in domains such as brakes, suspensions, couplers, and railway electronic systems. Our foray into other mobility domains was further strengthened with an MoU with the Neura robotics of Germany. This has truly opened opportunities in the space of cognitive robotics, AMRs, and humanoids. On ADAS front, we are progressing well on industrializing our first ever in-cabin radar solution for our passenger car application. Likewise, we are in the advanced stage of development of exterior radar solutions that can support Indian commercial vehicles in meeting the upcoming ADAS regulations.

We continue to commercialize new products. The latest addition in the 4th quarter being electric control panel and HVAC systems for railways. Both these products demonstrate our strong capability in design, development, and commercializing complex electronics, electromechanical, and electropneumatic systems. Including the hydraulic motor controller that we announced earlier, this year we commercialized 3 new products.

In summary, we at Sona Costar continue to innovate, strengthen our roadmap, align with rapidly changing market conditions and continue to provide value to customers, be it components, subsystems, or full systems.

With this, I turn to our group CFO Rohit to update us on financials. Over to you, Rohit.

Rohit Nanda:

Thank you, Praveen. A very good day to you all. It's my pleasure to present our fourth quarter and full year results for the financial year 26 to you.

Slide 19:

Our revenue for the quarter was 1,272 crores, which is a 47% growth over the same quarter last year. BEV revenue was 359 crores, which is 22% growth over fourth quarter, and it was 39% of our automotive revenue.

EBITDA for the quarter was 311 crores, which is a growth of 32%. The EBITDA margin was 24.4%, which is lower by 2.7% compared to the same quarter last year. In this, there is a base effect of 1.9% due to fully PLI income accrued in the fourth quarter. Balance 0.8% impact is due to product mix and commodity price inflation.

Profit after tax was 192 crores, which is a growth of 17% over last year. PAT margin was 14.7%, which is lower by 4.1% compared to last year. Of this 4.1%, nearly half was due to lower EBITDA. There was a 3.4% effect, because of lower net finance income due to deployment of funds in railway business during the year. And then there was a net positive impact from lower depreciation and higher tax, close to about 1.3%.

Slide 20:

Coming to the full year performance, our, full year revenue was 4,475 crores, which is a 26% growth over FY 25. BEV revenue was 1,154 crores, which was 35% of our automotive revenue, but it was lower by 6% compared to the previous year.

EBITDA for the year was 1,107 crores, which is a 13% growth. Margin was 24.7%, which is lower by 2.7% compared to the same period last year, and that's mainly on account of change in product mix and then to some extent, higher fixed costs.

Profit after tax for the year had a one-time impact of 30 crores after tax from the new labor code. Adjusted for this one-time exceptional cost, our PAT was higher by 11% at 670 crores. Adjusted PAT margin is lower by 2.2%. That's mainly due to lower EBITDA margin and lower net finance income.

Slide 21:

Coming to the cash flows, during the year, we generated 659 crores of cash from operations. Net of capex spend of 369 crores, we generated 290 crores as free cash flows. Apart from these other major cash movements include nearly 1,800 crores of aggregate amount which we used for purchase of railway business, additional land that we purchased for about 110 crores, and there was a payment for the last tranche of acquisition of Novellic shareholding.

Besides this, we distributed about 200 crores as dividend to the shareholders. And we added some short-term borrowings of about 226 crores and 86 crores of interest income. These were positive cash inflows. As a result of all these items, we ended the year with cash and investments of 1,269 crores.

Slide 22:

This brings us to the last slide on the key ratios. As I had explained in the last two quarters also, the newly purchased railway business has a different cost structure, and even the working capital cycle is also structured differently. This has flown through some of our key ratios in this year, and, that is why you see a dip in some of the ratios, namely value addition over employee cost and working capital turnover ratios.

In case of return on capital employed, this has come down mainly due to the fresh equity which we raised in September of 2024. We expect it to start improving over the medium term as only part of the capital has been deployed so far. In case of return on equity, it has already started to improve if you compare it with the previous two quarters, as the deployment of capital in the railway business continues to bring an incremental positive impact over finance income which is substituted in the P&L account. Fixed asset to turnover ratio has dropped this year to 2.9. That's primarily because of the new capitalization and purchase of land that we've done this year. However, we expect it to also start improving as the new CAPEX done in this year will start to generate revenue in the following financial year.

That would be all from me. So we have come to the end of our earnings presentation. I'll now hand over the floor back to the Nomura team.

Moderator: We will now open the floor for Q&A session. If you wish to raise questions, 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 questions via Q&A chatbox addressing all panelists. Please be reminded to keep your questions to a maximum of 2 questions. If you have more questions, please return to the queue. Thank you.

We have a question from Jay Kale. Jay, you can go ahead. Jay, you can go ahead, please. We will move on to the next question from Aditya Jhawar.

Aditya Jhawar: Good Evening everyone. Thanks for the opportunity. A couple of questions from my side. In the previous call, we talked about the bankruptcy of some of the peers in Europe, and we understood that the largest company was acquired by somebody. If you can throw some light on that, how are we seeing the situation? Is there any opportunity that we are seeing from the remaining two companies? That is my first question.

Vivek Vikram Singh: Yeah, so that some of that has already started flowing in. You saw some of the new wins. The other one, which is the 3rd asset which has been acquired by somebody, obviously we can't comment on that and how they will do in

the future is up to them. Our conversations will be with the customers directly and whatever opportunities come, we will keep reporting, as and when we win. But overall, I don't think it is a material change in the opportunity set that Europe presents for us. I think it'll still be a fairly a good place to win a lot of business over the next 12 months or so.

Aditya Jhawar: Oh, that's, uh, that's good to know. The second question is on Novellic. We understand that they are setting up, you know, manufacturing in Tamil Nadu. So, how is, you know, progress, in terms of engagement with customers? Any sense you can give of what could be the potential kit value? And in the past, you had indicated that you'll be also, you know, interacting, you know, targeting US and Europe initially with Novellic. So, you know, which geographies are we targeting, any update on that?

Vivek Vikram Singh: Sure. So, on the manufacturing and production thing, I can have Sat answer that. On the overall opportunities, Europe continues to look good because next year is when in-cabin safety has to be part of getting the NCAP certification. So it was moved by a year. So what would have been great if it was 2026, now that's moved to 27. So that's on plan. What they're doing in India, Sat, if you are there, you can fill Aditya on.

Sat Mohan Gupta: Yeah, Aditya, I mean, for Novellic India, we have set up the entity in India and we have started the launch process for one of the customers. The SOP is going to be end of this year. the lines are already set up, because it's a sensor assembly unit. So we have an SMT line in-house and we'll be using that SMT line.

Aditya Jhawar: Any sense on, you know, kit value or the quantum, I mean, just ballpark, how should we think about the ramp up?

Vivek Vikram Singh: As you know, we don't use the phrase kit value because to be honest, I don't understand it. I don't understand what it is there. I mean, we supply a sensor, that is the part, second, giving away pricing information is a competitive disadvantage.

Aditya Jhawar: Fair enough. Fair enough.

Vivek Vikram Singh: And before you go, for all those on the call, I think Aditya in Investec has launched a pretty good initiative. So if you have children between the ages of 12 to 18, he's organizing a trip to China to see the automotive ecosystems, see robotics. If you have the time, please do take them. I think children of India needs to look at what's going on in the rest of the world because we do need technology in this country.

Aditya Jhawar: Yeah, thank you. Thank you so much. All the best.

Moderator: Yeah, the next question is from uh Vijay Pandey. Vijay you can go ahead. I think he got disconnected, so we will take the next question from Aryn Pirani. Aryn you can go ahead.

Amyr Pirani: Hi, sorry, am I audible because I had some issues. OK, yeah, thanks for the opportunity. Actually, my question is something that we had discussed, you know, a few quarters back, while in Europe the EV, you know, penetration continues to rise, I think part of the EV opportunity, I think you will agree, is also a Chinese OEM opportunity because the Chinese are gaining market share in Europe. So, while we're winning orders from the European OEMs and which is obviously, you know, great, any updated thoughts on how we approach the China opportunity, not just in China, but even outside of China, which is becoming bigger and, and more important for the Chinese OEMs themselves.

Vivek Vikram Singh: It's a good question, Amyr. It is a question that we frequently ask ourselves. The only way to grow will be for now, with the customer. So if you do know we supply to one large, Chinese EV customer. So we are in the parts that obviously they sell domestically, but also the ones they export. What is a constraint right now is that unless they move production entirely to either Europe or North America, they will continue to rely on the Chinese supply chain and that is much harder to get into. So let's see how it evolves, so if you go back into history and look at the 70s model when Japan was just exporting their cars, what is happening today with China has happened before. Japan did that the first time and then because of the geopolitical reasons, protectionist policies, they had to shift production to the countries in which they were selling. Only then did opportunities for local suppliers actually come about. So it will take a bit of time. So the surest ways to get in, in the China for China supply chain for the current model over time, as these guys set up in Europe or the US, then we will be competitive because of duty reasons. In the China for China supply chain, it is harder to do right now.

Amyr Pirani: OK, thanks for that. And, any update on how is the tariff situation now because obviously there was a deal and then there was a Supreme Court decision and now all of this is happening. So, what is the latest on what is the tariff, if at all, and have things changed, improved, remained the same, you know, any, any update on that?

Vivek Vikram Singh: You know, this is a question a lot of people will not know the answer to. But Section 232, which covers a large part of what we export, continues to remain the same. The Supreme Court ruling did not have a bearing on Section 232 because that's under another National Emergency Act which the Supreme Court did not actually pass any judgment on. The remainder has obviously become easier, and the tariffs have become lower because the country's tariffs are kind of gone. But that again, if my answer, I mean, is the same I gave in Q1 of last year, which is tariffs are paid by importers and not by exporters.

So, importers have to figure out what that tariff is, and if the Section 232 tariffs are 25% for everybody, which is what the case is. Then you are not worse off or better than before. As long as our pricing or tariffs are lesser than China, it is a good thing. Second, there is a 5 year, I think almost, concession given to

OEMs with a certain percentage of domestic value addition in the US to claim back the tariff impacts. So you would be more or less covered within that.

It is the end of the year and our revenue hasn't materially come down from the US at all, nor have margins. I know there were a couple of analysts who wrote that our EBITDA will drop from 25% to 12.5%, etc. etc. on 8th April. But as most things hastily done are, it was a half-baked and uninformed analysis. It doesn't work that way. Things are usually binary decisions. They either happen or not. Now that the whole year is gone, you can see what the real impact is.

The secondary impact that I alluded to one year back, that it will have an impact on demand. Because it is, after all, inflationary in nature, right? All tariffs are inflationary. Prices go up, demand will go down, and you can see the SAR that they talk about, full year car sale number is between, now 16 to 16.5 million; one million cars have been lost due to this inflationary impact. And that unfortunately, everybody who supplies to that market will suffer from it.

Amyr Pirani: Yeah, yeah. Understood.

Moderator: We have the next question from Jay Kale.

Jay Kale: Am I audible? Yeah, thank you. Thanks for taking my question. so my first question is regarding the BEV commentary. You know, 3-4 months back, we had seen major global OEMs taking huge write-downs on their global EV investments. and then, of course, in the last 2-3 months, we've seen, in a new, revival of this category. You as a supplier, you know, what are your mitigation strategies given that you know, even today, global OEMs are talking of monitoring the situation based on the West Asian crisis to really go all out and say that this is a sustained demand momentum coming back. So, you know, when the customers are not able to project long term trends, you as suppliers, how would you allocate capital to these businesses and mitigate either not underinvesting or overinvesting in this category, well, you know, going ahead.

Vivek Vikram Singh: So Jay, one fundamental, I would say, input is this that write-downs, which are balance sheet write-downs of prior investments, have really no bearing on suppliers. Because if you have invested something in R&D or Capex, and now you're taking a write-off, how will that impact the number of parts you have bought from us or not? Does it affect demand if a model is discontinued? Of course, it does. Last year, we saw the full impact of that, right? We lost 300 crore from one customer alone. And that can happen, but does it happen frequently? Not really.

Second is, what is the level of abstraction you're at? So if you apply the same product you produce, you supply to multiple customers, you are far more de-risk if you do it across geographies also, your de-risking is even higher. But I, I don't even think, I mean, two quarters back when the pessimism was at the peak would be the right time to ask this question. Now Jay, the tide is shifting,

very fast and in the opposite direction, I would say. I don't think there is much concern we have.

But on your second question in capital allocation. As much as you can try to invest in fungible capex, that same capex can be used for producing parts for another customer. This is a problem that happens when lines or investments are so specific that they can only be used for one model of one carmaker. Those are the ones where capital allocation becomes very, very tricky. So if you put capacity, like we have, for example, for traction motors, we have a million electric motor capacity overall. More or less that with a little bit of tweaks, you can use it across customers. So as long as overall electrification continues to progress, that decision will bear fruit. And that is why one fungibility of Capex, second, diversification of customer and program base. These are the two things one can do as a supplier.

Moderator: The next question is from Nitin Arora. Nitin, you can go ahead.

Nitin Arora: Thank you for taking my question. The first question is on, a product of, what we have is suspension motors. If you can talk about that, how is that progressing, with respect to specific, I think China launch was there and how big, you know, you're looking to cross-sell, let's say, in this reset, which you talked about in Europe or in any other areas, how big opportunity this can become to you. That's my first question. And second, on the Railway Business, how are we looking at growth next year, you know, if you can talk about that.

Vivek Vikram Singh: Sure. So, first question, I would let Sat answer, but my one-liner is suspension motor is going to be the fastest growing business by far. I mean, triple-digit growth is not really common. So it has also got the advantage of a small base, but it will be very, very good because the customer we supply to their model has had an amazing launch and the product, performance and the product acceptance is genuinely overwhelmingly good, but Sat over to you on suspension motors.

Sat Mohan Gupta: Sure, Vivek. I mean, we launched the suspension motor last year and though, I mean, it was on, on one of the models of the customer during the year, the vehicle has done very well. And, so the customer has now launched their other premium model, and the volumes are going very good, and the product is perceived, both in China and the rest of the world, with a very good quality ratings and also with the performance of the motor and the complete system. So, the opportunity is high. I mean, we are looking at a very high volume, as Vivek said, I mean, 3 to 4 times growth compared to last year. The acceptance of the product, in China market as well as, it's being perceived in the European market also. So, our end customer is working with other OEMs in Europe, and it is wide acceptability in the automotive sector.

Vivek Vikram Singh: Yeah, so Nitin, hard to say because it's so high that it's hard to put a number on it. It could be a very big material part of our revenue. I mean, this year, at the end of this year, it'll still be single digit.

Next year, maybe it even touches double digits, that's, that's the amount of growth you can have in that product. But it depends a lot on where the next customer is, and the ability of our customer, Clear Motion, to win the next customer. And on railways, obviously, Amit will answer that question.

Amit Mishra:

Hi Nitin, you know, we don't give guidance on growth, for, say, year by year, so. I will look at more like the next 3 to 5 years where we see growth coming from railways. There are multiple levers.

First is, even today there is more demand than what we are servicing. So first is by improving our own process improvement, working with the supply chain, we can do more than what we are doing.

Second, there are gaps, white spaces, even in our existing products. So we talk about brakes, couplers, suspension, but even there, there are white spaces. We are not covering every subsegment and every part of these systems. So, we are working on them. We don't call them a new product when we talk about new products, but we are working on variants to cover new types of rolling stocks where we are not present today. I think that will be the second major driver. So in the next 3 years, I think these two, I think will be the major drivers when we're looking at 3 to 5 years. There are new products which are also, we are bringing them to the market. We are getting approval this quarter. We announced HVAC and electric panels.

There are other products where we are developing and we believe those products will become significant drivers in 3 to 5 years. So for the next 5 years, I think these are what we have identified as growth opportunities.

One, to improve supplies, improve capacities at our end. Second is, filling white space within brakes, couplers, and suspension. And then the new products, I think they will become significant drivers in 3 years' time. But overall, we are confident about good, healthy growth over the next 5 years in the railway business based on products which are already under development and not counting any other products that we may add in future.

Vivek Vikram Singh: Thanks, Amit. Nitin anything else?

Nitin Arora: Thank you. Thank you, team. Thanks a lot, team, for the answers. Thanks a lot.

Moderator: The next question is from Gunjan. Gunjan, please go ahead.

Gunjan Prithyani: Just a quick follow-up from my side. I think just continuing on the railways question that Nitin asked. Amit, can you quantify the market size of some of these new products that you mentioned, added in this quarter as well as the last quarter, I think electric control panel, HVAC, etc. Any idea on the market sizing for these products?

Amit Mishra: Yes, see, HVAC, and electric panels both are large segments or large markets. HVAC is about between 2,000 to 2,500 crore market size, and

electric panel is also about 1,500 crore. So in the context of the size of our railway business, these are two large segments. But then this is covering all types of rolling stock. So both electric panels and HVAC have applications from locomotives, passenger coaches, train sets as well as in the metro. Today, we have made a start. We have entered these segments.

In electric panels, it will take us 12 to 15 months to cover all types of rolling stock because our development is more advanced. In HVAC, it will take at least 3 years for us to cover all types of rolling stock, especially in the segments where we want to play, because the approval cycles are very long, field trials are much longer there.

So, yeah, the market opportunity is very large, but it takes about 18 months to 3 years between two products to cover the entire range of rolling stocks. And that's why in the answer to the question that was asked by Nifin, I said, new products will become a meaningful driver from 3rd year onwards. In the next 2 years, there will be more operational improvement as well as our existing products where we are trying to fill some white spaces.

Gunjan Prithyani: OK, got it. useful. And, just the second question, you know, is on the commodity impact that we saw in this quarter, about 80 basis points. Is it more to do with the lag in the pass through to the customer, and we should see this normalizing, or is you know, how do we think about it, or is it, you know, the, some of the commodities are elevated like energy costs, etc. have also gone up. Is that something that we absorb for now and, you know, we'll wait when it sort of normalizes. So what, how do we think about the commodity cost, going ahead?

Vivek Vikram Singh: Sure, but Gunjan, it's not 80 bps for a commodity. 80 bps is a commodity and product mix. And as you know, the traction motor has been the highest growth driver where the margins are lower. So my bet, I don't have a breakup. Rohit can answer better, but majority of the 80 bps would be product mix-related, not commodity-related. But Rohit. If you can answer last quarter, or what would it look like this year?

Rohit Nanda: So, Gunjan, this 80 bps is actually almost half for the mix and half for the commodity prices, and, you're right, most of this would be, for the material price, and, that is a pass-through with a lag, so it is largely because of the lag effect. but you also have to recognize that the commodity prices continue to trend up, so it's not as if, you know, this has stopped. So, if the prices stabilize this, I think, commodity price inflation, margin impact, and you also know there is a numerator denominator effect also wherein the percentage margin gets impacted. So to that extent, you know, historically, also, since you've also been tracking the company now for a fairly long time, you've seen that in a commodity inflationary cycle, the percentage margin tends to sort of take a dip, and absolute margin may not get impacted. So I think, until we have commodity price inflation, you will see this impact one way or the other.

Gunjan Prithyani: OK, got it. No, that's helpful. And just coming back to on, on the, on the traction motor, sorry, this is the last question. On the traction motor, is there any change in the business pipeline you're seeing because of the whole, you know, the, the noise around EV seeing more, you know, more favorable policy support from the government and in that sense, OEMs trying to build more around it. Is there any pipeline change that you're noticing in the traction motor? And how would you sort of, you know, talk about the growth in traction motors over the next 2 or 3 years? Like you said, suspension will be the fastest growth.

Vivek Vikram Singh: The traction motor will be the second fastest because it already has a decent base. It's almost 10% of our revenue now. The suspension motor is smaller, hence, it will have triple-digit growth rates. This will have high double-digit growth rates, actually, maybe, yeah, very high double-digit growth rates for some time. The reason is this, and Gunjan, I'll just like to replace one word, not the noise, the signal around electrification.

So one is where we are already there on the programs, the volumes are going up. I would say slightly more than what we had assumed, on existing programs, and we are obviously seeing new inquiries, so it's both. Policy-wise, also, Gunjan, I think there is a growing concern in the government. As you know, our country, if you look at all industries, I'm not talking about automotive, it's about 80/20 that 80% is petrochemical based or oil and gas-based energy, and 20% alone is electrification.

There is a very high need for electrification to increase from 20% to cover, and I'm talking across not just automotive. And I think you should see over the next 18 months, a lot more policy push to reduce our country's oil and gas exposure. This is also the reason the currency remains weak. So there is a very, very high realization of how this dependence is bad for us. And a lot of work should happen in the next 18 months from the policy side. The consumer demand side also, I expect that, as more and more people realize that the TCO in an inflated diesel and petrol price environment, the TCO is so much better for electric vehicles, especially if they are for any economic use, if it's used as an economic asset. So 3 wheelers, delivery, two-wheelers, electric LCVs, buses, I think the pace of electrification is going to go up significantly.

Gunjan Prithyani: OK. Got it. No, this is helpful. Thank you so much. I'll join back the queue.

Kapil Singh: Vivek, we have some questions in the chat box, so I'll just read out a few of them. So one is, how is Sona progressing on rare earth magnets? Maybe you can give us an update on the whole situation.

Vivek Vikram Singh: Yeah, no update as of now as you know, there is a policy that has been released by the government. And when we have anything that is material and reportable, we will report it. For now, we do not use any heavy rare earth magnets in any of our products. So that's where we are as of today.

Kapil Singh: OK. On the order book, there is a question, what proportion has clear volume visibility and pricing stability over the next 2 to 3 years? And how should we think about conversions into steady revenues and margins as these programs ramp up?

Vivek Vikram Singh: 100% has volume visibility and pricing stability, but, it is just impossible to answer how volatility will affect the next 2 or 3 years. So, as you know, in our industry, there's no such thing as firm commitment. Volumes are indicative volumes only. You take your calls. So when we put orders in the order book, we take a call on how much to discount the volume projection given by the customer. We have been doing this for a while, so we do have a fair idea of, you know, how much, to adjust by.

But then there are years like the COVID year and semiconductor chip crisis year. Right now there is, frankly an EV and going back to Gunjan's previous question, we don't have a demand problem actually. We have a problem or our, well, not we are customers. They are not able to produce enough to supply the demand right now, and it is not because of us. It is because of weaknesses in the supply chain where certain suppliers are finding it hard to ramp up that quickly. So this works both ways, that there are orders in the order book which when eventually converted will be far higher, and there are some which will be lower, but over time it pans out, and it is pretty much around that same number.

Kapil Singh: OK. One more question is on the railways. How should we think about steady-state asset terms, margins, ROC versus your core EV business? And will this growth structurally improve or dilute overall returns?

Vivek Vikram Singh: It will improve returns because from a return perspective, they're very, very high return, businesses. It may be slightly diluted on margins, but return-wise, it will be much higher.

Kapil Singh: OK. then this question is on BYD. Have you tracked the recent decline in BYD sales following removal of EV purchase tax exemptions? Automakers that build their strategies around budget, PHEVs and BEVs seem to be hit hardest. Given that 70% of Sona's order book consists of BEVs and PHEVs, do you view this Shifting subsidy landscape as a structural risk.

Vivek Vikram Singh: Short answer, no, because most of these orders are already in geographies where there are little to no subsidies. US, Europe, India also, I think subsidies are almost on their way out almost. So, Yeah, not, not really, is the answer. I don't know. Rohit do you want to add, because I don't know what to say in this one. Actually, I think this is more if we had a huge exposure to China or one particular guy or something, but we don't, and I it isn't, I think, pertinent.

Kapil Singh: OK. And then cash on books, is there any M&A potential in pipeline?

Vivek Vikram Singh: Nothing that has reached a stage which is worth sharing or reportable. We are always evaluating M&A opportunities at any given time. Over the last 3

years, we would have evaluated over 100 opportunities and frankly acted on one. So that process is always going on. Of course, having cash means that yes, we are always looking very, very aggressively with focus on opportunities that could add to us. But that doesn't also mean that if you just have cash, you do M&A just for the sake of deploying capital, because that kind of pressure, as I mentioned before, that anything done hastily and without prudence does lead to bad results. So no, we have cash, but it's not to burn. It is very hard earned cash, it's shareholders' cash. It is our duty as a responsible company to deploy it only when we get an opportunity that is amazing and process all four of our filters that we have already spoken about.

Whatever we put in, we must be able to be confident that the product will last for the next 15 years. Second, whatever we do, we must be able to take the top 5 positions in that category. If not, it's not worth doing. Third, we should make good money and good financial returns from doing so. And fourth, that it should be good for humanity. If all these 4 conditions are done, only then do we even consider an opportunity.

Kapil Singh: OK, is the worst of commodity pressure behind or should we anticipate increasing pressure before pass-through happens and margins improve or stabilize?

Vivek Vikram Singh: That is a multi-trillion dollar question, in some sense, because if you can figure out when the war will end and when oil and gas and all these things will go back to normal, yeah, you'll be far more wise than I am. I have no idea.

Kapil Singh: Vivek, on this front, you know, we have historically talked about 24 to 26% margins. So, would you like to give an update on that? Are we comfortable with that band?

Vivek Vikram Singh: No, I'm not. We had already said that it will be 23 to 25% after the railway acquisition. So that is the band. 24 to 26% is the band prior when we, the core business. I think now it is 23 to 25%, and that, I think we can say we should be able to continue being in that band.

Kapil Singh: OK. Great. How are things shaping up on the non-automotive front apart from railways? When will we see any developments on robotics and EVTOLs?

Vivek Vikram Singh: So development soon, but if the question is, when will you see meaningful revenue, assume if your investment horizon is less than 3 years, none of this has any meaning for you as an investor. It will only come after. If we can go back in time, I think 2021 is when we announced, Sat it was 2021 when we won the suspension mode order, right?

Sat Mohan Gupta: Yes

Vivek Vikram Singh: Now, 2026 is the first year that it will be in hundreds of crores. So it takes 4 to 5 years for anything which is a new product, and if you're doing it organically, to actually get there. Usually, first 0 to 3 years, you don't actually earn any

money, you actually spend more money than you earn. Year 4, you start making some money. Your first bit of revenue starts trickling in, which was the last calendar year for suspension mode. And then you get to hundreds of crores, and if God is kind and your job is good, and you've made a good product, then you get to the thousands of crores. The same thing happened with EV differential assembly. We started in 2016. Until 2018, I don't think we made meaningful money. 2019 started becoming meaningful, and now it's, as you know, uh, fairly meaningful. That's the trajectory any new product development cycle will take. I think Amit also answered when he was asked about HVAC and electric control panels. It is a 3-year cycle. It is not magic that we make something and then immediately we start selling it because our process is B2B. Second, we make safety critical or mission critical parts that have very long testing and safety cycles, and we are not in a rush to cut back just for financial gains and actually endanger our reputation, our trust that has been built over decades. So we will always play it this way. But developments you will keep hearing, as and when we develop, you will see the progress that we are making on each of those fronts.

Kapil Singh:

Ladies and gentlemen, that was the last question, that we had, on behalf of Nomura, I thank all of you for joining this call and, to the team of Sona Comstar for giving us this opportunity to host you. Sneha we can close the call. Thank you.

Moderator:

Thanks, Kapil. 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. Thank you so much. Thank you everyone for your time. You may now drop off the line. Thank you.

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