SONA BLW Precision Forgings Ltd. (Sona Comstar)

Adding a New Pillar of Growth – Call Transcript

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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 Comstar's Conference Call. At this moment, all participants are in the listen-only mode. A question-and-answer session will be conducted after the presentation concludes. At that time, you may click on the video question button below the media player to ask your questions. Please note that this conference is being recorded. Some of the statements made 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 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 customers in your questions.

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

Slide 3:

Vivek Vikram Singh: Thank you, Aman, and I hope everyone had a great New Year. On behalf of Sona Comstar, I'd like to welcome all of you to the addition of a third pillar in our growth story, one of sensors and software. Now, as the automotive world moves into the future, it is becoming what we call EPIC. In the last couple of years, all of you must have read or at least heard extensively about chips. Well, another term for chips is integrated circuits or IC. That is the same IC in NOVELIC. It is the same IC, which is in another form in our view of the future of mobility.

So we've coined this term EPIC to capture all the four big ships, which are electrification of the powertrain, personalization of the vehicle to match and

suit driver preferences, the increasing intelligence of vehicles in the systems inside them. And lastly, the connectedness that makes all of this possible. So in the EPIC, IC also stands for intelligent and connected, and that is the IC in NOVELIC that it is novel, it is intelligent, it is connected.

In this, I'd say, brave new world that is coming, sensors and software will play an oversized role in the automotive. This realization has been there with us for a long while, but it really hit home when we were making our IMCM module, the Integrated Motor Controller Modules for the intelligent suspension. And we realize this is that just a single module in a vehicle requires 2 million lines of code, which is about 5x the software that goes into an average space shuttle.

And that's not a very surprising thing. An average modern car has around 100 million lines of code, whereas the more advanced ones can go up to 200 million, and a fully autonomous vehicle will have more than 500 million lines of code. With this context in mind, we have embarked upon the next phase in our long-term strategy.

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Once again, we have been listed for almost 18 months, and I want to reiterate our purpose as a company. Why we exist as a company is to be one of the world's most respected and valuable auto technology companies. This is important to keep in mind with why we do the things we do. There is a purpose. We are a company that's led by a purpose, and that is why it's important to keep in mind when you look at any decision that we take.

Our automotive industry, as all of you already know, has a technology megatrend called electrification. And we expect that by 2035, EV penetration would be over 80% at least. On that trend, we acted early. We started our journey on electrification in 2016. And that has allowed us to take a leadership position in the global driveline space as well as the Indian motor space.

Now today, a new technology is emerging, which is one of increasing autonomy and intelligence of vehicles and systems within these vehicles. And in the same Sona Comstar spirit of moving not where the wall is today, but where the wall will be in the future. We are taking a meaningful step in the

direction of electrified autonomous vehicles or E-AV with the NOVELIC acquisition.

Slide 5:

Now building an autonomous vehicle, in simple terms, is a matter of replacing with machinery, the three things that humans need to drive – the hands and feet that operate the controls, the senses that perceive their surroundings and the brain that turns the data into decisions. Now the first bit is mostly mechanical and electrical.

The second one, the one of perception, is achieved through sensors, whether they be cameras, LiDAR or radar sensors. And the third, the intelligence to turn this input data into decisions, is software. Software plus and iteratively learning general intelligence or, in simpler terms, AI. This is what is driving autonomous.

What this does and what NOVELIC helps us is in adding the second and third set of capabilities of semiconductor chip design of radar sensors, software and ML/AI tools to add to what we already have in mechanical, electrical and electronic abilities. This would help us to start building the third business vertical of sensors and software.

Slide 6:

Now why NOVELIC specifically? So we have five compelling reasons for this.

One, extremely, extremely few companies share our DNA of being high technology, high growth and very high profit. I mean, their 27% net profit margin is rare. And when we saw that NOVELIC has achieved all three of these without any external funding ever, metaphorically speaking, at least it was love at first sight.

Second, we've done a lot of research in the last six months to validate the hypothesis that radar sensors are the best technology to solve the in-cabin sensing problem. We'll speak more about this and why best, as I've said repeatedly, best is not just high performance. It is high performance and low cost and, importantly, with a zero invasion of passenger privacy.

Third, which is very very important to us and very close to our hearts. And it is also a fact that most M&As fail mostly due to cultural integration issues. With NOVELIC, although, if you can see them on your screen, you will later, they may not look like us totally. But culturally, we are very very similar with shared middle-class values of integrity and frugality and respect for money. They are also committed to vitality and agility in innovation and engineering excellence.

Fourth, and this one is a slightly technical one that, this is one of the rare vertically integrated companies in this field with capabilities spanning the entire gamut from chip and sensor design to signal processing software; very rare to have the whole capability set at one place.

And last but not the least part of it. So we expect this deal to be EPS accretive from the first year itself while providing us the opportunity to grow this into another $100 million vertical in the next six to seven years.

Now we'll talk about each of these details in the next few slides.

Slide 7:

So first, the market. Because of increasing autonomy and intelligence in vehicles and vehicular systems, more-and-more perception is required. This perception is achieved through sensors, as you can see on your screen, whether they be camera, LiDAR or radar. And according to McKinsey, increasing adoption of ADAS and autonomous or semi-autonomous driving will propel this ADAS sensor market to $43 billion by 2030, which is a 3x jump in the next seven to eight years. Now today, most ADAS applications are sold by single sensor solutions.

However, as autonomy advances, this can only be achieved through a multisensory approach and sensor fusion, which means a combination of camera, radar or LiDAR and the ability to integrate it. Today, there are very few companies globally that have innovative single-sensor solutions, let alone having multi-sensor. So no one company actually today is working on all three types. NOVELIC is very proficient in radar technologies and can offer sensor fusion algorithms to its customers.

Slide 8:

In addition to its technology prowess, NOVELIC is unique in its approach to high profitability and sustainable growth. It has been profitable every single year since its inception. It has grown revenues at a phenomenal 53% CAGR over the last 10 years. And all of this without ever raising any external equity capital. So there is a lot I admire in these three gentlemen that I may not have told them personally, but I'm telling that publicly that the journey they have taken is inspirational to us in many ways.

And this is so much like Sona in how we value money, technology and growth that - I mean, this is only our second acquisition in eight years. So it goes that we look very hard and we are very selective. But when we do find someone, it is someone very aligned with us. So together with NOVELIC, we are going to be one of the very few companies in the world to have a large and growing revenue share from the twin automotive megatrends of electrification and autonomy while achieving and maintaining a high growth and remarkable financial performance in terms of profit and return on capital. Now I'll hand over to our Group CTO, Mr. Deshmukh, to talk more about the technology and its application. Mr. Deshmukh, sir.

Slide: 9

Kiran Deshmukh: Thank you, Vivek. Good evening, ladies and gentlemen. Radar will play a significant role in ADAS world. Radars can detect distance and speed of the vehicles on the road, obstacles in the car's path, the position of the car relating to the road and other vehicles and the car's blind spots. Mainly ADAS functionality, such as adaptive cruise control, automatic emergency braking, lane-keeping assistance and autonomous driving, cannot be performed cost-effectively without ADAS.

Another critical application of radar technology is in-cabin sensing. Children and pets left behind in locked cars have resulted in thousands of deaths worldwide due to heat stroke. In new car models, government regulations and car Safety Assessment guidelines mandate Child Presence Detection or what is called CPD. Euro NCAP 2023 requires CPD for a 5-star rating. Major OEMs have joined hands and have announced that they will provide CPD on their own in the cars.

NOVELIC's radar technology detects life presence, child presence and seat occupancy through vital signs such as heart rate and respiration sensors. The

technology works under any lighting conditions, including behind the car seats and even in the car seat-well. Moreover, as Vivek mentioned, the sensing happens anonymously, so there can be no previous concerns like those in sensing by cameras.

In short, NOVELIC's mmWave radar technology is the best solution for in-cabin sensing. The in-car sensing that NOVELIC's technology makes possible can also be used for other applications such as optimized deployment of airbags and other safety systems, driver monitoring through the science of drowsy or distractive drive or gesture control infotainment and human-machine interface. Let's look at this technology through a video.

Slide 10:

[Video Plays]

[Video Stops]

Slide 11:

We have seen a glimpse of NOVELIC's technology. Next, we introduce you to the three founders of NOVELIC who are behind this innovation. Darko, who is the CEO; Veljko, who is the CTO; and Veselin, who is the Chief Sales Officer. With that, I hand over to Veljko to talk about their innovation and their capabilities. Over to you, Veljko.

Veljko Mihajlovic: Thank you, Mr. Deshmukh, and hello, everyone. This is a very exciting moment for us and the whole NOVELIC team, and we are happy to be here today. Well, I think Vivek and Mr. Deshmukh have given quite good top overview of our technology. And I'm actually happy to see how quickly Sona team understood NOVELIC's story. I hope also that the video was helpful to everyone else joined today to get better understanding.

So I'm not going to talk about technology purely, but also about our story from our perspective a bit. Veselin, Darko and I, we have been working together for the last almost 16 years. And for the last 10 years, we put all our working energy and our time in a company we founded together with our amazing team. We are engineers by background, specialized in mmWave systems, algorithms and systems on chip. And NOVELIC was founded with clear mission to develop end-to-end capabilities in mmWave radar sensors

and also to commercialize it through various product lines in different industries, wherever possible, with major focus on automotive.

We built our know-how step-by-step, experiment-by-experiment, project-by-project. Our speciality is short-range radar and applications requiring miniature hardware and smartly engineered embedded software, such as in-cabin radar, parking radar, collision avoidance, side or rear radars, guiding and docking radars, etc. Those examples you could have seen in the video.

We started as a team of 5, and today we are over 160 people with 130 engineers, 10 of which are PhDs, who are developing product platforms in several European developing centres. Like Vivek mentioned, although we have been working with a capital-intensive technology, we have managed to develop that technology in an organic way. We engaged from day one with customers. We provided them short-term value while also trying to identify long-term road maps and how our radar technology can fit in those road maps in three, four, five years. On that journey, we generated revenue and profits with continuous growth year-on-year and used that profits to reinvest.

And now, for moving to the next phase of our growth, we wanted to have a strategic partner, a strategic partner in a real sense of that mean. The partner with the same commitment to innovation and technology like we are. The partner who supports us in scaling up our business and who gives us the freedom to innovate further. And to be fair, when we met Sona Comstar team, we knew that this was the one. Because we immediately felt great alignment on the core values, and those are the main ingredient of an organization.

Together with Sona Comstar, with access to their customer base and marketing support, we believe that we can grow NOVELIC exponentially and become a significant player in the global market of autonomous mobility and automation in a broader sense.

Slide 12:

And now, on the next slide, let me briefly explain the new ecosystem being built in automotive world and NOVELIC's capabilities across the value chain. First, the value chain itself is changing and transforming. It's transforming from

traditional hierarchy of tiers to hierarchy combined with the need for much more collaboration and orientation to domains of competencies. And that happens in both megatrends of automotive industry in electrification and also in autonomous driving. We are preparing NOVELIC for that shift. Basically, what our -- now big brother Sona Comstar did in the electrification domain, we are going to do in the autonomous driving domain. In our case, this means that we would keep integrating and improving all subsystems of other sensors we develop. Here, we speak about electronic boards, antennas, mechanics embedded software, application software or machine learning.

On our supply chain, due to our modular and chip-agnostic system, we can partner with all leading chip suppliers. So actually, we want to combine modularity of independent subsystems with vertical integration. And we believe that this approach, in combination with changed value chain ecosystem, will give us potential to deliver to and collaborate with basically all tiers, with OEMs, with Tier 1s, with Tier 2s, with autonomous driving integrators, with anyone. Depending on the context and customers' demand, we can supply what they need, that can be hardware, software or the fully integrated autonomous driving subsystem. This will give us resilience, and we consider it one of our biggest strengths in the times that are coming for autonomous industry.

I'll now hand over to Rohit to tell you more about the transaction. Thank you.

Slide 13:

Rohit Nanda: Thank you, Veljko. Good evening, ladies and gentlemen. Let me now walk you through the structure and the key financial parameters of the transaction. We have structured the transaction in a way that it's a win-win for the shareholders of both Sona as well as NOVELIC. Sona will be buying 54% equity in the company for EUR 40.5 million through a combination of primary and secondary routes. This will mean that NOVELIC founders will continue to contribute and participate in its growth story in a meaningful way.

At the mentioned consideration, NOVELIC is valued at a pre-money EV of EUR 64.5 million and post-money valuation of EUR 75 million. It puts the implied valuation at 26 times the estimated PAT for the calendar year 2022, which also happens to be the financial year for NOVELIC. Purchase consideration will be discharged in three instalments, with 60% to be paid out at the

transaction closing and the balance 40% in two equal instalments, each at the end of 12 and 24 months from the date of closing. The transaction will be funded primarily from Sona's existing resources, and we expect it to be closed by the end of March. We expect the transaction to be EPS accretive for Sona from the first year itself.

This brings us to the end of our presentation, and I'll now hand the proceedings back to the Chorus team for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who has a question may click on the video question button below the media player to ask your question. When your name is announced, you will receive a pop-up on your screen, choose the option 'join as panelist', accept the prompt, unmute your audio video and proceed with your question. Ladies and gentlemen, we will wait for a minute while the question queue assembles.

While we wait for the queue to assemble, we have our first text question that is received from **Chirag Jain** from Catamaran.

So the question is, basis the press release and the presentation, it seems NOVELIC's key solution is in In-cabin sensing. Is NOVELIC solution also being built for the core autonomous driving? If yes, what is the content per vehicle today? And what can it increase to?

Vivek Vikram Singh: So I kind of expected this because this is a -- NOVELIC team, apologies. But this is one of the key questions that you get in India as a listed company. content per vehicle is somehow term that is used. So, Chirag, it is more about the capability that is there. The applications are immense. I will request Veljko to talk a little bit about the applications, because -- and I think that's what Veljko tried to form for you, the pyramid that it's changing so much that who provides what kind of content in a system and what is the shape of that final system is very different.

I think that question of content per vehicle is very rooted to the world that we showed, the Tier 1, Tier 2, OEM world. Here, NOVELIC has the ability and already does provide service to all four levels. So, their customer could be a chip designer itself. It could be a global Tier 1. It could be the OEM, and it could be could become mobility solution providers people like Waymo, Uber,

who are providing you the final autonomous solution. All four of them are currently, all four of these categories are already customers and will continue to be. However, the framework that one uses to ask a question will be different in this world. But Veljko, you can talk more about what other solutions this capability set can be used for. But for everybody on the call, it is this, it is radar sensing. And then processing that sense or that perception when it comes back, processing that for meaningful decisions. That's the capability in very simple terms. But Veljko, please.

Veljko Mihajlovic: Okay. So when we speak about in-cabin solution, we speak about a completely new application in the automotive. So this road map was defined pretty recently. We were working on that since the beginning, since our inception, we knew that this application will be on the road of new vehicles. And we build the technology for that. So the road maps, like we could have seen on one of our previous slides, are starting the production of that sensor that is mandated by regulatory bodies from 2024, 2025 onward. And all OEMs will have to be ready for that solution.

Radar is actually has proven over the years of competition on the technological level and stories among, let's say, regulatory bodies, etc., as the most suitable choice here. So the best product market fit. And we, as the company, are now ahead of the market regarding the maturity of the solution that we are preparing and regarding the -- also its cost side, which is not neglectable while partnering with our chip suppliers. So we at the tiny software to resolve several critical applications. So when we speak about regarding the content, we speak about applications which are mandatory, which we will have to provide, actually which OEMs will need to have as the functions for 5-star safety. This is the child presence detection.

But we also speak here about add-on functions that we build by smartly engineering the software, which are the seat occupancy detection, so detecting the occupied seat and therefore replacing the current technology, which is existing there, which is actually basically the cables and sensors put in the seat. So by using radar, we can get rid of those existing sensors and basically get the new product at a very little cost.

And also in addition to seat occupancy, we speak about intrusion and proximity alert; when basically in one sensor, we will also have the alarm

function completely integrated in serial production. So that this is for the generation one of the products. So, child presence detection, seat occupancy and intrusion alert. Of course, and these are the feature on road maps of all OEMs. Of course, we are not sitting still knowing already what can happen in the generation two, and the work has been done also on more advanced features.

Vivek Vikram Singh: Now, to add to what Veljko said and to give an analogy that I think maybe everyone is familiar with, to say content per vehicle in a software-driven world is trying to, let's say, how much does SAP cost or how much does Microsoft cost per machine. It's a very hard question. It depends on the optionality and modularity that you choose. If you choose just one function, Veljko told you about three, it could be one, it could be done in -- how many features do you want to add, depends on each provider, and it will be a choice between the OEM and between the Tier 1 and the chip designer.

Similar thing, if you had asked us in 2017, that what is the content per vehicle of a driveline and electric vehicle, we won't be able to answer you. We are trying to do things which are at the cutting edge of what is available in the world today. To be the best, you have to be that person because -- if we that's a classic innovator's dilemma thing, to ask, how much is the addressable market and you think about what was asked to IBM in 1980, that how many computers do you think you can sell to our industry, go to and ask to Mr. Jelenic and Daimler, when the car industry started, that how many cars do you think you can sell?

The question, I don't think it's the right question at this moment. The track record is there. The growth record is there. Like we said, we are going to grow very strongly and profitably. I don't think these subtilities of model making devices, like content per vehicle, need to fit in. And trust me, within 10 years, you'll realize that, that's not the question anymore. I think another request because he said about general autonomy, I think how radar perception can be used for enabling autonomous vehicle in its mobility function that I think you should also address.

Veljko Mihajlovic: Yes. So when we speak about autonomous driving, so basically, we have two worlds. One is inside of the cabin, and one is the outside. Basically, the most of the attention is focused on the outside now. Our solution was focused on

inside of the cabin. So detecting what happens inside, I mean, one of our product lines. However, we do develop the other product lines, which are also based on the same radar technology, which resolved the exterior functions. Some of them are also already mandatory, some of them on the road maps, every of them basically on the big road map of having fully autonomous vehicles.

And radar is the inevitable sensor that must be used if we want to have to achieve full autonomous driving. In the exterior world, we are focused on what we call short-range detection, so let's say vicinity of the vehicles. So around the vehicle to allow what we call low-speed autonomous driving functions such as helping with parking, such as emergency brake in city-drive, such as detecting the pedestrians, and also providing not only that but interaction between the car, the people approaching or the passengers while detecting the gestures and other commands to unlock the car or protect the doors of the car. So this is where we are focused today.

Vivek Vikram Singh: Thank you. Veljko. And Darko or Veselin, if you want to add anything on ASPER as a product or how ASPER helps autonomy, please take it.

Veselin Brankovic: We are speaking about automotive, but we should have actually a much broader spectrum of the observation, the needs and what is our technology doing is addressing mobility world. Mobility is not only pure passenger vehicles. These are also transportation vehicles we already have in today, the agricultural construction, mining vehicles. There is also vehicles who have two wheels or three wheels. So, all of them will come and need to merge with new technologies together.

The advantage of another growth, which is not purely automotive is that deployment of technology potentially a little bit faster, considering automotive design process and deployment of technology. Our ASPER platform can offer typically protection from potential collisions, which are coming from the back or rear radar observation for transportation vehicles and also for two and three wheel vehicles as well as a lateral protection. In many cases, in automotive world people are addressing only corner type of radars and front radars, and we are addressing rear radars and lateral radars. The main also difference between our approach and other approaches is that a lot of intelligence and signal processing is done on a module itself.

That means that ASPER type of products can be used for the aftermarket approach and also for approach where such are called EC unit or processing unit like we have in classic automotive vehicles is not existing. So that means we strongly believe that radar will be deeply employed in transportation vehicles like heavy vehicles and also will be deployed in vehicles like motorcycles, like e-bikes, where actually the size matters, where processing power matters and power consumption matters.

Vivek Vikram Singh: Thank you, Veselin, that was actually -- yes, we missed that point that it is much broader than what is currently called automotive. We can move on to the next question, but every one of you who's here you are invited, and please do visit us all at the Auto Expo. You will get to see the technology live when in action. The demonstrator that some of you saw in the video would be there. I think it has landed in India today.

You will also meet these three gentlemen and their teams. And you will also see the other perception applications of radar at our stall. So please do come. Seeing is much better than seeing on a video or a slide. So please try and come to our show.

Moderator: Thank You. We invite our next questioner, that is from the line of Kapil Singh from Nomura.

Kapil Singh: Maybe, first of all, congratulations for embarking on a new journey for third dimension of growth, really. So look forward to all the developments here, and to the entire Sona Comstar as well as NOVELIC team. I'll start with the NOVELIC team first. As somebody who is on the outside, what I would like to understand first is you are a profitable, high-growth kind of a company. And you've never raised capital as well.

So when you look at this transaction, obviously, you are looking at something very strategic that comes to your table. So I heard you talk about the strategic fit. But if you could also share some - one or two examples of what you think, for example, Sona brings to the table from your perspective?

Vivek Vikram Singh: Yes. So Darko, Veselin, Veljko, anybody wants to answer that. Please go ahead. I'm not going to help you with this question. This is just for you guys.

Veljko Mihajlovic: So maybe I can start and then we can all add on. So for us, we see a very serious company with high technology focus. So the company that was built on the innovation and that was able to commercialize its innovation on the market and which built the, lets say the spirit and the culture for that. And this is not something that you can build quickly or you miss some steps.

Basically, you see that by doing conversations by moving on in tracking whether you have alignment. So this was the most important aspect from the beginning. We see that we can and will be mentored on our journey to grow NOVELIC in a very similar way just on the lets say another technological field. So like I said on my slide, we want to do in the world of ADAS sensors and autonomous driving what Sona already achieved in another pillar. Also, what is important for us is that they will give us the support, but they will give us also the freedom to operate.

They believe in us, they will believe what we have built is on the healthy pillars and that we could execute. And we think this is important in these kinds of deals that you keep the momentum. You keep the momentum of your vision because it will take some time until we really align on all details, and we are sure we will. And by that time, we feel that we will get the freedom to operate and to build a NOVELIC like we envisioned. So, I don't know, if Darko and Veselin can add on. Darko, maybe you?

Darko Tasovac: Yes, I would like to add. I think we get the experience. If I may summarize. Guidelines, and we can be taught also by Sona how to become a big company. We see it as a big brother and also not just that capital investment, but also like having a teacher who can provide us and lead us to this success, if I may summarize in a short sentence.

Veselin Brankovic: I will add only one sentence. What we really respect the Sona is dynamic. Dynamic movement. We are facing that all automotive world is dramatically changing. You had a new ones approaching fast. We have the old ones, was still slower try to adapt. In a world of Tier 1 worlds where the Sona is -- because we engage with a lot of Tier 1 as a customer. This is our customers. You see that the organization matters are very old fashioned, which cannot allow them to act fast and to move -- they are not inventing, they are reacting on the needs for ones. You need to predict what one will need. You need to engage with ones in early stage. You need to invest in relationship with ones

to understand their need before they are raising RFQs. And this dynamic is something that we'd like to follow-up together with Sona. We recognize this as a huge Sona advantage.

Kapil Singh: Thank You. One question is on just the growth opportunity. How should we think about it going ahead for this business? Is it a manufacturing capacity driven business where we need to make investments? What will the investment plan in next say two, three years? What is the capacity utilization if that is a relevant metric? And there was also a mention of a potential to or option to acquire a chip designing company, I believe. So, if you could just touch upon that as well?

Vivek Vikram Singh: So Darko can take that one. But it's not a potential to acquire. We have a chip design company already.

Kapil Singh: The transaction scope also includes acquisition of Nirsen.

Vivek Vikram Singh: Yes. So Nirsen has been -- it is a company owned by the NOVELIC founders in the same proportion. So this, as part of the transaction, Nirsen will be acquired by NOVELIC as a form of having the full integration going from chip design and putting the software on that the sensors and then the software. The one thing I'd like to add, and thank you guys for all the love. But also getting to mass manufacturing in millions takes a bit of experience. That's something we can bring.

Everything else they can do independently, and we don't really, they don't require us as much. Yes, we're always there to mentor and guide but they already all of that. But yes, going from a few thousand to a few million is not a journey that is -- I mean, if you do it first step, it's much harder and longer, you go together, it's a bit easier, and we've been there. So that's a good advantage to have in that space. But the second point, Darko, you can talk about that also, what Kapil asked.

Darko Tasovac: So, regarding the first, focus of the growth is definitely in the technology you have seen on the video. As Veljko already mentioned, this is a mandatory NCAP for car OEMs to have it in order to get the safety stars and safety points. So also, our road map is this something that we are pushing to be focused on our investment. We are in this field for a long time. We know the technology.

We have also a lot of patents there. And it seems for us, the first lets say success as the in-cabin that we mentioned on the video.

Vivek Vikram Singh: So Kapil, because you also covered tech, that will be easier for you to understand. A lot of it, the investment is people because you're writing code, how many lines of code is basically the functionality. The board, you're not going to manufacture anyway, right? That comes, the chip is also -- its chip-design, you're going to get the software part. It's just the manufacturing of just the sensor bits. That's the only bit that is there. So, capacity is a derivative of people, we are putting in primary so that the first three-year business plan is going to be self-funded after that primary.

And beyond that, should right now doesn't look like. So, when I said 100 million, the money is already there. I hope that this $100 million happens much earlier. And I hope then we need more money to do something bigger. Like we have, as you have seen with solar, I mean, if you say how much would the capex that we have previously outlined last time we spoke, what was about $120 million. $120 million, yes, is enough to service what was our order book till the end of last quarter? Next quarter's order book will increase and hence, funding increases.

But yes, we are fairly good with, I would say, capital deployment, capital allocation and capital uses. We have a very -- I'd say, like I said, and this you would also appreciate, it's a very middle-class strong value on how to take every rupee, every euro and extend the maximum use out of it while not sacrificing our technology goals. It is extremely rare. And that's why, I mean, we acquired Comstar, I think in 2018 and for 4.5 years, we haven't done anything, because you rarely need somebody like that, if you need really high tech, high-growth company, then you have to talk about cash burn and all and we are not the people who can digest cash burn. We don't have that in our system. Or you meet people who only talk about things like, yes, this content per vehicle, $10 per vehicle, so many vehicles, this multiple, give me 8 multiples, those. Why should I do something that I can buy the equipment and do myself. If you're not gaining any capability. If you're not adding anything to yourself as an organization as a human being, what are you doing? We are trying to make technology that the world looks to us for, which is why it started with our purpose. It is never purely financial, but it has to be financially sound. Finance is the second part of it, but it has to be highly

profitable and able to stand on its feet. But this transaction that we've envisioned in the business plan that we've drawn out together, that funding is there. So we should be able to, on our own steam get to, like I said, the $100 million target is because we all joke about it, but that's the time we become a real company. So that's the goal. And then, when we see how we take it from there and how quickly.

Kapil Singh: Sure, look forward to that. Just one clarification. This $100 million includes what all, does it include in-cabin technology only or what all does it include?

Vivek Vikram Singh: So ACAM. ASPER, am I missing something Darko? So ACAM is a short form for in-cabin advanced. I don't know. You guys can take, Darko, Veljko can explain. And ASPER is the sensory perception one, plus we have IoT products also. Darko?

Darko Tasovac: Yes.

Vivek Vikram Singh: So, in 100 million, what would be the breakup like?

Darko Tasovac: It's more a question for Veselin, I think.

Veselin Brankovic: So, we would have two different main approaches is one a little bit smaller. The direction is that we are hoping that we are approximately equally strong, having us the type of the platform. And from other side, inside of the Cabin platform.

There will be the main pillars of that what we are expecting as a revenue stream. You need to understand and we have in a space of the sensors, you're speaking in defining smart commodity hardware. If you get smart commodity hardware. After that, you can bring up new functionality considering machine learning, new functionality, considering new applications who are actually like a software. This software content together with hardware will make a difference. The value for the customer will be not necessarily -- actually, you will have a smart sensors, which we are going to develop.

So in our road map, all type of platforms, the basic platforms which we are designing for the hardware point of view will be enhanced by comprehensive software updates for the different application, which will come constantly. So we are expecting that in this area, we will have having

two major platforms, a lot of family of different products for different type of concrete applications, covering complete mobility. And we are starting the advantage like detecting people. Detecting people are means you can detect people inside of the vehicle. You can get detect people outside of the vehicle. You can detect the people also in an industrial environment.

So all those things are there. But as said, we are focusing at the moment of mobility solution, where automotive itself, passenger vehicle is one part of the story. And the second part of the story is the rest of the applications in construction, the transportation, two and three wheel vehicles.

Vivek Vikram Singh: So Kapil, in short ACAM, a cabin sensing, ASPER, which is sensory perception, which is outside the vehicle. These are the big two from product side, plus there will be engineering services and licensing. There is a lot of licensing income that we get because there are customers who want to deploy on their own. They just want you to design and get them the sensor software and you get paid for as many units they sell. So these are the three revenue streams.

And licensing, currently, a large part of it is licensing and there, trust me, if you can think of any major European OEM, it is already there. So yes, that will also continue. However, over time, ACAM will be the biggest revenue stream. ASPER second biggest and licensing and software services as the third revenue stream.

Kapil Singh: Thank you. I have other questions but will get back to the queue.

Vivek Vikram Singh: Yes. But the thing is in this changing world, where the product versus service or product versus solution, actually, it is solution now. The solution could be a piece of hardware or it could be a few lines of code. Now, you don't manufacture lines of code. But you've got to do it together. I mean, you have come to our Chennai plant, and you've seen our IMCM. What does it look like? It's just a board with a lot of electronics, and you would wonder why is it so expensive is because of the millions of lines of code that go into. And that, I mean, somebody asked me once that what is the weight? How would that matter?

I think, we all and hopefully, as people understand us as a company more, and I hope we can do that job. We sometimes are not that good at it. We

can also help people realize that it is a very fast-changing world in a car that has 100 million to 200 million lines of code the old way of how much does it weigh and how much is value addition. Those days are going and very fast.

So let's see how well we communicate this, that's always been a challenge, especially in India, right? I mean, I think it would be easier to communicate this in San Francisco or Israel or Stuttgart, but in India, it gets a little difficult because we are also used to what we see around us, and that still, perhaps, is a little behind where global mobility has already moved.

Kapil Singh: Sure, Thank you

Moderator: We move to our next question that is from the line of Hitesh Goel from CLSA.

Hitesh Goel: Hi, everyone. Hello, Vivek, Rohit and Sona team and also the NOVELIC team and congratulations for a great deal. I just wanted to understand, I missed that structure part on the transaction first. Can you please explain that is it -- as founder how much going into the company, if you can explain that? And I also...

Moderator: Hitesh, I'm sorry to interrupt. May I request you please speak a bit loud?

Hitesh Goel: Can you hear me now? Yes. So, I just wanted to understand the structure of how much is there a stake sale of founders in this transaction? How much is -- or how much is going to the company? And in EV Euro 64.5 million. So there is around Euro 23.5 million debt, right, in the company? Just wanted to understand the structure because I missed it.

Rohit Nanda: So, I'll clarify. So, post-money valuation is Euro 75 million. And Sona will be acquiring 54% stake as a mix of primary and secondary. So, what Sona will pay out would be Euro 40.5 million as total consideration. And the payout is -- has a staggered sort of cash outflow. So, 60% on closing and then 20% each at the end of 12 and 24 months, respectively.

Hitesh Goel: Okay. And is there a debt in the company or it's totally?

Rohit Nanda: No, no. It's near to zero, let's say.

Hitesh Goel: Okay, so my second question would be, can we understand much better the background of the promoters on NOVELIC before starting NOVELIC. Just

wanted to understand how they worked with -- in which companies so that we can understand some relationships?

Vivek Vikram Singh: Sure. So, who -- first of all, hi, Hitesh, I haven't seen your face for like in 1.5 years. Darko, Veselin, who wants to take this one.

Veselin Brankovic: I will tell as a couple of words. So, the company Novelic just celebrated 10 year anniversary, recently. But generally, the core team, that means three of us, we have been working together previously in a German-based Tier 2 company in Stuttgart. So, we were actually delivering solutions to Tier 1 companies in Germany.

And we were working together in this area for more than, I would like to say, I think, seven years before. So that means we are working quite a long time together. That was very important because it's not easy to make an innovative company, which also brings some money. It's not easy to make innovative company which can stand how to make a product. This is an essential thing in order to have this unique experience of how to make a product.

This is a basic classical startup. He has excellent ideas. Maybe they can have a -- like a prototype but doesn't know how to make a product. So that means in this parallel world, you need to beat the other competencies to deliver maturity of the product and also to bring up the new ideas in front. So I think we managed to do it through our long experienced work in this area.

Vivek Vikram Singh: Veselin was their boss, Darko and Veljko, when he hired them. And then the three of them came back from Germany. Actually, if you understand a little bit about the European structure, a lot of people, the bright people from Serbia had to go and work in Western European countries like Germany, It happened in India as well. Like a lot of our brighter engineers went to the US and now we are also seeing that. And then all three of them thought why can't we do this in our home country. And that's why I said when he shared values and lot of things, but I'll let Darko speak on why they came back and started an entrepreneurial unit?

Darko Tasovac: Yes. At that time, it was more than 10 years ago. Now we're sitting on the table -- at the table, and we then decided -- we're speaking about any of these ideas we're discussing because we were based in Stuttgart. We had

many connections with automotive industry. And then we came to the idea and be able to see how the mmWave radar sensor is going to be developed in the future. And we decided to go back in Belgrade and set up and founded the company. We started with five people. And today, we have more than 150 people.

All three of us are -- have electrical engineering background. So, at the beginning of NOVELIC, we all were also designers, software developers. We did also the programming of these FPGA chips. We designed the chips. So, we have also skills there. And slowly as the company progressed and became larger and larger. We actually started to see that there is really a potential that needs to be used in order to develop this idea.

Hitesh Goel: And just one more question. Do you think you will also get benefit from Sona relationships, global relationships in some of the OEMs or customers that they have? In Europe, you have a good relationship, but they had who have a relationship in China, US as well. So, is that a thought process while going with Sona?

Darko Tasovac: Yes, also having access to these customers going hand-in-hand with our big brother. That's definitely something that can be useful for us and getting experience also from these relations with the OEMs with Tier 1s, how to deliver the products, how to communicate with them, how to set up these deals. How to go at the end into the production also of these products, that's something that definitely can Sona help us.

Hitesh Goel: Great, and I wish all the best to you – both Sona and NOVELIC.

Moderator: We take our next question from the line of Jinesh Gandhi from Motilal Oswal.

Jinesh Gandhi: Hi, a couple of questions from my side. One is on the structure of the transaction. So, can you talk about for the balance, 40%, is it linked to any milestones or it's just the timing?

Vivek Vikram Singh: Just timing. I assume you're asking about the payment transaction. Remaining 46% of the equity will be held in equal proportion by the three co-founders.

Jinesh Gandhi: And any road map for – or any call options that Sona has to acquire balance 46% stake or that's not yet part of the transaction?

Vivek Vikram Singh: No, it isn't, and it's also not part of our ideology. We are not chip designers, they are. We need to know what we are good at and what we bring to the table and what they bring to the table and respect that. It's not an asset acquisition, Jinesh, this is a capability. Capability lies within the individuals, not in a building or a machine.

Jinesh Gandhi: And what sum of money goes into this EUR 40 million, how much goes into the company? You indicated the $100 million revenues would be largely funded...

Vivek Vikram Singh: Actually, the details that Rohit shared, it is easy to do the math. The founders requested that we don't speak out how much they are getting. But the pre-money and post-money valuation if it is provided in the slide, I think it's very easy to work the math backwards.

Jinesh Gandhi: And this funding into the company will be good enough to take it to EUR 100 million is what you indicated?

Vivek Vikram Singh: Yes. So, if we stay on the business plan, the funding plus obviously, the cash that is being generated by the company itself. This is a very high cash generation business. As you saw 27% of the net profit. So, with that and the growth is also a lot of free cash being thrown out. So that plus the primary infusion should in all probability get us to our business plan and frankly, a little beyond, but it's best to be a little conservative with these things.

Capital will not -- we will not let it become a constraint to the growth of this company. Neither have we for ourselves. We started, if you remember, in 2016, we were INR 350 crores company. And we have got this path, we have not really -- and we are still, I think, pretty much debt free and we can accomplish a lot if we use our cash wisely.

Jinesh Gandhi: Got it. And lastly, can you talk about the competitive landscape for this solution, I mean not the technology, but the solution for in-cabin sensing and that way, where are we, NOVELIC is in terms of market share might be the wrong word, but where are we in terms of our competitiveness, if you can talk more about that? Thanks.

Vivek Vikram Singh: It's a very good question, but yes, solution and technology are both linked in a way. But Veljko, Darko, Veselin, who wants to take this one? And please be gentle on your competition. Don't say that one. So please go.

Veljko Mihajlovic: So maybe I can try on this one. Good question, actually, a very good one. So, first question started among technologies basically. So, like for every sensing problem. So, at the beginning, there was the mmWave radar that we were doing. There was camera. There were some other technologies. And from recently, there is almost a consensus in the industry...

Vivek Vikram Singh: Veljko do you want to show the slide of camera versus radar versus LiDAR, if you have it. Pratik, do we have that? Actually, it's a very good question, Jinesh, in many ways, because this perception problem, there are -- like people asked about hybrid versus electric versus hydrogen. We bet on electric. It's proven true. Right now, that same thing is going on. Although I think it's a multi-sensor thing. LiDARs, I don't know but it's okay. LiDAR is very, very, very expensive. Camera is the cheapest, but it suffers from a lot of problems. Not just privacy in many environmental conditions, it just doesn't work. And it is invasive. So not everybody appreciates that. So, radar is a bit of both plus the mmWave that Veljko is talking about is so accurate that and he has written a paper on it, by the way, and I might send it to you later that you can actually do ECG, you can detect skin movement. You can get the heart rate, you can do an ECG using radar waves, it's that accurate. So insanely high level of accuracy, which is far beyond cameras; at a reasonable cost and not the cost of LiDAR. And that's the big, big advantage between the technologies. And Veljko, again, you can go on with the competition within radar.

Veljko Mihajlovic: Yes, exactly. So the choice among technologies, then they are narrowed down for -- to the mmWave radar for the applications that we are mentioning. Of course, here is important to say, and we will follow the story, that for the other applications that also existing in-cabin but also outside. So there is no single sensor, which is the best solution in all terms. So, there will be always coexistence of those. And that's why we built our competencies focused on radar, but also ready to do the sensor fusion when the time comes.

But now we are focused on the radar and on these particular features that we mentioned for the in-cabin. In that world regarding the competition, so basically, today, there is one Tier 1 who is working directly on developing the solution. And there are many others who are from the companies like us. And in that domain, basically, we do have a couple of competitors who joined quite late compared to us. So we started this about 10 years ago. We could have not been right, but luckily or maybe knowing some things about technology, we were right. So we were ignored for the first five years that the radar will be technology for in-cabin.

So the people were quite reserved for that function. But it proved to be the best performing and also safe on the other hand. So now we are, a lot ahead of what those others are developing in terms of maturity, like I said on my part of the presentation and the performance.

So we really understand both the technology but also the problems of the scenery and the application. So there, we are quite confident that, of course, there is competition, there will be, like in all automotive value chains, I mean, it's unhealthy to have one supplier for any application. But we are very convinced that our solution has good, unique selling point. And I would dare to say also, the unfair advantage when we are now taking off while receiving the RFQs from OEMs.

Vivek Vikram Singh: So Jinesh, I think we can take a few names here, Veljko, because those are public, like Veoneer is doing something in sensors. Who else that we can name? There was an Israeli company that got acquired by Harman right now, Caaresys.

Veljko Mihajlovic: Yes. Then we have the company called Bitsense from Asia also, who is doing a similar solution. We have the company Vayyar. Those are the companies who are, in the value chain on the level where we are. And some of the Tier 1s are publicly working on that. Some are working, some are actually exhibiting today the solutions that also come from us. But like I said, in the Tier 1 world, there is only one company, where we are doing in-cabin radar.

Jinesh Gandhi: And that Tier 1 is working with you. The name which were taken is the same one Infineon?

Vivek Vikram Singh: So the Tier 1 who is working in most advance is working with the NOVELIC team. They are obviously customer name, they don't want to take. But it's a traditional Tier 1, which is fairly advanced, and they are using NOVELIC chipsets on these things.

Veljko Mihajlovic: Just to correct, they use our software and models. So and we are, by the way, regarding the chip for this technology. So, although we have the competencies for the chips like Vivek mentioned. And this is in, let's see, also in alignment with the philosophy of the new value chain that I mentioned before. So we need to make smart partnerships and collaboration a lot more and a lot stronger to get the products that we develop, which are quite complex. So in this particular thing for the in-cabin, and that's also the public information, we are the preferred partner of Infineon. So on their website, you can see NOVELIC is the preferred partner for in-cabin also on our side. So that means we are using their chip. And we are using our software and our module development part so that we make the fully integrated smart sensor for in-cabin.

Jinesh Gandhi: Got it. Thanks, and all the best.

Veljko Mihaljovic: Thank you.

Vivek Vikram Singh: Thanks, Jinesh. Good to see you.

Mr. Deshmukh, I think, has a flight actually at an airport trying to board, I think Darko and Veselin are also at different airports. So this is a truly global team. We have one person in Belgrade, one in Mumbai, two in Delhi, one in Amsterdam and one in Las Vegas at the CES show. So they're going straight from CES to India auto expo. So while the next questioner comes, please, do visit. I think you'll be able to understand much more at our stall.

Moderator: We invite the next question that is from the line of Chirag Shah from Nuvama.

Chirag Shah: My question is, a very wonderful insight that you have shared and congratulations to both the teams for this wonderful transaction. Two questions. From NOVELIC perspective, what is the inflection point as far as ADAS is concerned? Level 2 itself is the inflection point or Level 4 and 5. And if it is Level 4 and 5 in your assessment today, realistically what -- how much

time will need to achieve those levels because -- and the enablers over there, which -- where you can commercialize that?

Vivek Vikram Singh: Great question. Before we go to level to level 4, 5, actually, the biggest inflection point has come last year, when NCAP, the rating to get 5-star rating, you have to have in cabin sensing. Second will be when 2025, this becomes a compulsory, a mandate. So you know that in many of our technologies that exist in automotive today, they got pushed because of safety reason by regulators, airbags, seat belts. Similarly, in-cabin sensing. That's why I said that will be the biggest revenue stream.

The inflection point will come when it becomes mandated by law, which should be 2025. In NCAP ratings, it has already come. So that is already there. On other the inflection point on the ASPER part, which is the sensory perception or autonomous part, I'll let Veljko or Darko answer on what level would it become even more, although Chirag har level pe (at every level), there is something. But Veljko, do you want to take this?

Veljko Mihajlovic: Yes. So basically, for in-cabin sensor formally, I think it's classified in Level 2, but I'm not sure. And -- but what's more important than the level is -- the need and the regulation which requires it and that we have a solution to that. So this is what gives us the confidence that this product is needed and it will reach in time to the market. Regarding the exterior function. So basically, how should I say, yes, there are many players now working on all levels. So the ones that do the thing they claim they are on the level 5. There is a journey to get there. And on that journey, I think what the industry realizes is that there will be very tough to -- for many single companies, even the biggest ones to resolve those functions. So what we think is that -- and what our strategy would be that we would share a couple of, independent solutions, which are covering some niche aspects of all levels of autonomous driving, where we, own the complete product. And for the ambitious systems for full autonomy, we think that we will be partnering with the others.

And we would provide not necessarily the complete solution, but also the domain-specific subsystem, which results for a particular function within that level of autonomy. So this is the more the, the road in which we believe in. For example, I can give you concretely. So for example, within the short range radars. So you have like in the Level 3 already, you have like a dozen already

to really have even the partial automation. And whereas many are speaking about their advancements in all domains, we are still facing the products which are at the best level in the radar world, they are Level 2 plus, or even the ones that claim they have Level 5 there. So, this is how this story is complex. And we think that if one has a good product, which resolves a particular niche and set of applications, then there would be definitely the need for that one.

Vivek Vikram Singh: Yeah. So Chirag, it's more linear than exponential. So Level 2, there are already 10 or 12 sensing needs you require. At Level 3, you get to parking, kick sensor, doors, if you come to or proximity. Level 4, you increase more because more systems become semiautonomous or autonomous. So it is a curve on which it keeps going up, but it's not a step function. So it's a linear 45-degree kind of thing, and it just keeps increasing a return of increase. So that will be a better way to picture it.

Chirag Shah: In your assessment, moving one step away from Level 2 to Level 3 or Level 3 to Level 4, how much time would it take? Is it a five to six year journey, or you expect regulations to be helpful and it could happen much sooner?

Vivek Vikram Singh: That's a very good question, and I don't think any of us can know the full answer. I would say, the world is today at Level 2.5 already very comfortably. Actually, the journey from 4 to 5 is the tricky one to predict. But I don't know, Veselin or Veljko you want to take a shot, 2.5 to 4, that's slightly easier to predict. Full driving by the vehicle or something to do claim it. That's quite fine. That's I think about 10 years easily, maybe 15, maybe I don't even know. But 2.5 to 4 Veljko or Veselin, do you want to take a shot?

Veljko Mihajlovic: I just wanted to add that there is even now the debate in the industry whether Level 3 and 4 actually make sense to be deployed. Because they give you the freedom to hand over to the vehicle to operate, but they also keep you accountable be react at any time. So, from that perspective, there is a debate whether it be deployed. But anyhow, like Vivek said regarding the development, this must go in this linear way. So from Level 1 to 2 to 3 to 4 and so forth. So how long basically so.

Chirag Shah: It's a tough one, I understand that. It's a tough one. Sir, lastly, let me squeeze in one question. On the investment areas that you're looking at, so whatever money that is coming in the company and even beyond that, what are the

areas where you're looking to put the money to use? Is that more capacity, is it more capability? Within capabilities, what are you looking at?

Vivek Vikram Singh: That I'll let the NOVELIC team answer. Again, the investment, the current one and the business plan that we have spoken about is only restricted to ACAM, in-cabin, ASPER, which is outside cabin and licensing and services. That's it, these three revenue stream. There is potential to add actually many more. As you heard, now realized with us that what we started out with even when we IPOed, only three, four products. Every year, we add at least three, four new products, so revenue streams keep getting well, right now, that is for that. However, this – what is the capex deployed for, Veljko if you want to or Veljko, actually Veljko's in charge of spending the money. So he should answer where this is going.

Veljko Mihajlovic: So basically, most of that will go into the developing the programs that we are in today. So it's really the investment in competencies. Of course, some parts would go in investing in preparing for the serial production and manufacturing, especially for this exterior radar that you mentioned, the ASPER and especially for the aftermarket and also here in machine and two, three-wheeler segments. Because there, we also plan to ship the complete modules with hardware and software.

Chirag Shah: So, you do the investment in human capital, you need to add more people as you move to $100 million, you will need to add more people or that all the developments of that has been invested already?

Veljko Mihajlovic: So we will grow in the number of people also definitely, yes.

Vivek Vikram Singh: But, Chirag, to add to what Veljko already said, we also need to add in people side, because we're getting into serial production now, also product people. So, I think already hiring great product guys from fairly-fairly reputable companies like Microsoft, etcetera. So, we are getting a good product and program and serial production, as I said earlier, when you go from a few to a few million, there is a journey. So apart from just machine and infra and assembly benches, we also need to get the right people for the right kind of growth.

Chirag Shah: Thank you very much and all the best.

Moderator: We invite the next question from the line of Siddharth Bera from Nomura.

Vivek Vikram Singh: So while Siddharth joins, Aman, if I may request, we would, you know us and we ordinarily never close the call early. It's been 1.5 hours. Mr. Deshmukh already left for his flight, two other gentlemen have to leave for flights since we've been on this deal closing for the last week or so, we haven't any of us have not slept really for a long time. So, if this could be the last question, we love to talk again, please visit us, and we'll talk there, but it's been a long, I'd say seven, eight days for all of us.

Siddhartha Bera: Hi Sir, thanks for the opportunity. Sir, most of the questions have been answered. Just I think on the addressable size which you had indicated, will it be fair to say that, the mix will be more skewed towards products and less of a tech or it can be more of tech and less of products? And even within that, in terms of the addressable market, will the in-vehicle and outside vehicle will be similar, or there is a segment which is bigger, so some clarity on this aspect?

Vivek Vikram Singh: Sure. But I would say, if you are looking at NOVELIC 2028, the larger part of revenue comes from products. In product, the largest product should be ACAM just because value per unit would just be higher. Second largest should be ASPER followed by the third category of the products. We're still, and I'm trying to break Siddharth the technology, everything is technology, the product that you use, the way we are speaking to each other is technology, right? However, the device that you use, it's a product and the services are the solution that you can't see, but you're getting charge for. As core OS, the operating system or the service provider or the telecom network provider. So we will be doing both. Any guess, Darko, or Veselin, what is the ratio of product to service? 70:30, is that fair?

Veljko Mihajlovic: Yes. That's fair, roughly, Vivek that you mentioned.

Vivek Vikram Singh: So, 70-30, 70 products, 30 services and licensing. Licensing is repeating recurring revenue without extra effort or expense. Those are great revenue streams to have, and we don't want to let go, which is why it's harder. Like I said, this is a combination, like we already started doing it. When we started realizing and some people ask us why your margins higher than others in the industry, because we are not a pure product company even now. A lot of what we do is because the product is high technology, a lot of services are

being attached and we are getting the money for it. So, it's similar but even more, I would say, tech intensive.

Siddhartha Bera: Understood. Thanks a lot, sir.

Moderator: Thank you. We have one last text question. That is from the line of **Prateek Poddar** from Nippon India Mutual Fund.

Could you please talk about how would you charge the OEMs for mmWave radar products? Would it be SaaS-based or based on price path? Also, which third-party chip suppliers are we using to embed our software on?

Vivek Vikram Singh: That actually is a very good question. I have to complement Prateek. I think the best question for the last but, okay, who wants to take this one. It is a very, very relevant question on how the pricing model also will be developed. And is it a SaaS-based model or is it product plus both? And which chipset, Veljko you can go with which chip are we embedded with.

Veljko Mihajlovic: So yes, regarding the chips that we are using, we are partnering with Infineon with Texas instruments, returning fees for, let's say, various product developments, particularly for in-cabin solution, we are partnering with Infineon. Because we identified their chip as the best fit for that product and to put in our software.

Regarding the pricing model, I think Veselin can amend on that. So, SaaS is, of course, something that is envisioned for the future. And I think there, we will accommodate basically to how the complete value chain behaves. So, I think the OEMs now need – have the way to go on their pricing model and then that will respectively translate to all the Tiers in the, say, with different -- with – for their different features that we are providing.

So, we can imagine in the future, which is not so distant that this sensor, for example, has like a mandatory function, which is regulated by law, which is child presence detection. And then one can pay for intrusion detection.

So, to share let's say, the alarm feature set on or off depending whether he's spending summer in some isolated island or some dense city or so. So, this is the future that is definitely coming. But for the third generation of the products, we are definitely going to the model where we charge per piece of our IP or product delivery. Maybe Veselin can comment more on that.

Veselin Brankovic: Just I would like to say also if you look at carefully new experiences now for our Auto Show in Las Vegas. I think there is changes in the future in 5 to 10 years that at least many car manufacturers say, yes, software company. So, we have a software vehicle. I say, it's very nice to say you've software vehicle but need to have hardware component. So, enabling this software that are differentiating.

So that means there is this tendency to try to put some kind of -- how should I say new business model. We are listening this carefully. We just want -- do not want to come to the position to act on the classical purchasing pressure given the price down. So, we would like to say how can I help you to make a more interesting business model so that you are happy about it. So, this is something which we are seriously thinking, we cannot discuss this too much right now, but we are trying also in a very dense communication and exchange with Tier 1s. But I need to say also with OEMs, and this is actually what we previously said, I don't think it is changing. So, Tier 2 companies can go and engage with OEMs directly. So, to try to find what is the best solution for the business model, which is convenient for both sides. So I think I'll let the things still happen. But we think that the classical type of approach will keep for the next years. But I really don't know how much and how fast the things will change after 5 years, time. We will see a lot of changes in the business models.

Vivek Vikram Singh: Yes. So I'll just summarize, Prateek, because it is an excellent question, and one we wondered about the 10 years later, how do you monetize technology, so revenue monetization models would be one and I think at least for both ACAM and ASPER large part would be still the traditional, the OEM buys the module on which we can play one of two parts exactly like we do in differential, we could either be the software guys and we can be in the software plus the hardware guys. Same as we do in, let's say, our driveline business, we can either be -- the guys who do the whole gearbox or we can be just the differential assembly guys. So that's why the two levels. That should still stay the largest form of the monetization model.

Second one would be in licensing and Veljko talked about, like imagine your car has a device like your smartphone, you can download apps on it, all the apps exist. And if you pay, there is a paid version or a not, and then some of the apps which are only paid. So, if you pay for intrusion alarm, that intrusion

alarm will become active. The hardware for it is being inbuilt by default. The software becomes active. And per use, the provider or the licensor gets paid. That should become our second revenue stream.

Third, not directly to OEM, but even Tier 2, Tier 1, like I said, the boundaries have just gone away. The same guy can be your competitor, the same guy would be a customer. And currently, a lot of leading OEMs are integrating very large systems with sensing software and sensing hardware, which NOVELIC already provides today. And these things should also continue to grow as functionalities increase.

But yeah, many avenues to monetize as mobility itself starts shifting, I mean if you go very into the future, Mobility as a Service would become there that for a person, it is the journey from point A to point B. it could be done using many devices that are all provided by the same integrator. You could get into a subway get out, get into a bus, get into a car and then in the end take a scooter if that is the best thing that your mobility provider face.

And you pay by using. So, a lot of this is evolving. We have prepared for all of that. But even if nothing happens, like I said, the traditional way of tipping the whole product that works, you fit it in, as they said, plug-and-play that should still remain a large part of it.

On the chipset part, we work with literally every chip provider. However, for the in-cabin sensing, we are embedded with Infineon. For other applications, we work with Texas Instruments, NXP and Infineon and others. But excellent question, Prateek.

Moderator: That would be our last question for today. I'll now like to hand the call over to Mr. Vivek Vikram Singh for closing comments.

Vivek Vikram Singh: So, thank you so much, everyone, for listening. We are available to explain this and more. And even the NOVELIC team would be available 12th, 13th, 14th and 15th at the Auto Expo in Pragati Maidan, Delhi, hope to see as many of you as possible. As you know, we are fairly approachable as a team. We also really, really love feedback. So as much feedback as possible. It helps us iterate, improve and get better. So thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Sona Comstar, that concludes today's session. Thank you for your participation. You may now click on the exit meeting to disconnect. Thank you.
