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BSE Ltd. Regd. Office: Floor - 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. BSE Scrip Code: 543300	National Stock Exchange of India Ltd. Listing Deptt., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 NSE Scrip: SONACOMS
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Subject: - Transcript of Investor Call pertaining to Financial Results for quarter ended on 30th September, 2023

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor Call held on Wednesday, 25th October, 2023 on the financial result of the Company for the quarter and half year ended on 30th September, 2023.

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

This is for your information and further dissemination.

Thanking you,
For Sona BLW Precision Forgings Limited

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

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

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

enquiry@sonacomstar.com
www.sonacomstar.com

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SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q2 FY24 Earnings Conference Call Transcript October 25, 2023

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: Welcome everyone. Ladies and gentlemen, good day, and welcome to the Q2 & H1 FY24 earnings group conference call. Please note that all participant lines are in the listen-only mode as of now. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. We request that you place your lines on mute except when asking a question.

Slide 2:

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

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

Kapil Singh:

Slide 3:

Good day, everyone. To take us through the Q2 FY24 and to answer your questions, we have the management team of Sona Comstar. Mr. Vivek Vikram Singh, MD & Group CEO; Mr. Kiran Deshmukh, Group CTO; Mr. Sat Mohan Gupta, CEO of Motor Business; Mr. Vikram Verma, CEO of Driveline Business; Mr. Rohit Nanda, Group CFO; Mr. Amit Mishra, Head - Investor Relations; and Mr. Pratik Sachan, DGM - Corporate Strategy and Investor Relations. I will now hand over the call to Vivek for his opening remarks and presentation. Over to you, Vivek.

Vivek Vikram Singh:

Thank you, Kapil. Welcome, everyone, to the next call of what has once again been our highest-ever quarterly revenue, EBITDA, and net profit. But before discussing our results further, I wanted to share an important strategic update. We've made a significant change to our vision statement, and this expanded ambition will now start reflecting in all our decisions going forward. This begins with our product and technology roadmap.

Slide 4:

Our vision is to become one of the world's most respected and valuable mobility technology companies for our customers, employees, and shareholders. We believe mobility is a higher level of abstraction, which includes not just automotive, which is where we mostly play today, but all vehicles or devices that help transport humans and goods from one point to another. This expanded scope and expanded ambit demonstrate our growing ambitions and desire to use our technical prowess in either product or application adjacency. I will encourage all of you to look at our product slides, which are in the appendix of this presentation. That should give you a detailed mapping of our products across automotive and non-automotive segments as it stands today. And, hopefully, we can keep adding to this mapping as we move along.

Slide 5:

As I mentioned, in line with this change of vision, we have completely revamped and redone our product and technology roadmap. This has taken months of effort, and what we've tried to do is, in addition to the electrification mega-trend we've been addressing for a bit, we are now developing products and thought processes to capture opportunities in the other three areas of the epic future as well, which is personalized, intelligent, and connected. We've further added products that we intend to develop for the wider mobility landscape beyond automotive.

This is easily the most extensive and elaborate product portfolio rejig we have ever done in the history of our company. We've added seven new products to our roadmap this time, two each in the Driveline Business and the Motor Business, and three in the newly acquired sensors business. We've also transformed how we represent our roadmap. So, this diagram, I think, mirrors the reality of our product journey so far. Each product tree begins with one initial legacy product, which serves as the root for each of these business verticals, that's where we began. And from that root, have emerged live and evolving linear branches, which show how, by organically moving only one logical step at a time, we have branched out into creating so many new products. This also has helped us add optionality to create many more products because the product tree can keep branching forward or sideways at every node. And this creates even more possibilities and opportunities for us as a product-driven engineering company. This truly is the power of compounding of technology and knowledge and innumerable iterations at work.

Now, I'll invite our Group CTO, Mr. Deshmukh, to explain these changes better than I could and also the seven new exciting products in more detail. Over to you, sir.

Kiran Deshmukh: Thank you, Vivek, and a great day to all of you.

Since this is the first time we are sharing the technology roadmap's new format, let me explain its structure to you.

As you would have noticed, we have revamped the roadmap that depicts the EPIC revolutions in four zones. The zones overlap, so although we've shown electric mobility in blue color, there are no fixed lines between the zones. The boundaries between them are indistinct and blurred.

Let me begin with the Driveline division and its legacy product, the net formed differential bevel gears. Several years ago, we moved up the value chain and developed the differential sub-assembly for our off-highway customers. Recognizing the unique strength of our forming technology and design capabilities, we developed the final drive differential assembly for electric passenger vehicles and began supplying them in 2018. This new product opened up new opportunities for us in the EV space, and we developed three cutting-edge products: the spool gear, the electronic differential lock, and the epicycle gear train. We also moved further up the value chain from the final drive assembly and developed the intermediate gear and the rotor shaft. While the former branch shows how we went up the value chain in the drive train of the electric vehicles, another branch evolved from the straight bevel gears on the back of our technology, consolidating our knowledge and competencies in net-forming straight bevel gears, our R&D developed spiral bevel gears by extending those capabilities.

Let me move to the motor division's legacy product, the starter motor. This product knowledge and the manufacturing know-how of the starter motor led us to develop the drive motor for electric vehicles. The first drive motor we developed was the hub-wheel motor for electric two-wheelers. We then developed the mid-mount drive motor and low-voltage inverter for high power two-wheelers and three-wheelers. We, after that, leveraged the strengths of the driveline and the motor divisions and developed the e-Axle for three-wheelers. The competencies that helped us develop the drive motor and the inverter that controls the motor, led us to develop a product for intelligent and personalized mobility: an integrated motor controller for active suspension.

This should explain how the evolution of new branches from a node of the tree has helped us create more unique, groundbreaking products for the market. All the products depicted in this chart, which are in blue colored circles, are the products that are commercialized. These are tested and validated products, most of which are being supplied in series production and some we will begin delivering soon for which there are commercial purchase orders.

The product roadmap tree is further extended to include our future products shown in white circles. These products are under development in our R&D centers in Gurugram and Chennai. In the earlier technology roadmap, we used to show them in a white semi-circle. You can see the logic of the new way of showing the roadmap: the chart clearly shows how the new products

are related to the products we are already making and how they contribute to the EPIC revolution.

This quarter, we are adding seven new products to our roadmap.

Manufacturers of electric vehicles are always looking for ways of reducing the vehicle weight to extend the vehicle's range. We are developing a lightweight differential with fewer parts and special alloys that are lighter in weight without compromising performance and durability. Our R&D engineers in the Motor division are busy developing a compact, cost-effective inverter that is integrated with the motor, which takes less space and is easy to assemble on the vehicle. These efforts aim to make products that offer customers higher value and added convenience.

In alignment with our new vision focus on mobility in general, and not just auto, we are developing drive motors for non-automotive mobility solutions such as AGVs, bots, marine, etc. Taking our gear geometry and manufacturing competencies to the next level, we are developing very accurate, exceptionally precise, and highly efficient non-involute gears for industrial robots. These efforts will help us enter the non-automotive mobility sector.

As you know, we've added a third business vertical, the sensors and software. Our core technology here is radar sensing and perception. Our competencies include semiconductor chip design, radar sensor design, signal processing, perception, and sensor fusion software. Our radar technology detects life presence, child presence, and seat occupancy through vital signs such as heart rate and respiration sensing. This technology will also be used for other applications, such as optimized deployment of airbags, driver monitoring, and gesture control human-machine interface. The technology, when applied outside a vehicle, can carry out low-speed ADAS functions like autonomous parking, 360-degree short-range awareness, and pedestrian and bicycle detection. The core technology of radar sensing and perception also has other non-automotive use cases. It can detect motion and presence for home office and factory automation. It can monitor the safety of workers around moving automatic equipment, such as robots, and can help avoid collision while providing guidance functions for autonomous industrial vehicles.

The new restructured technology roadmap reflects our efforts in addressing the mega-trends of EPIC, leveraging the competencies built by us over the years. We will now use this framework to decide our way forward and communicate our intentions. With that, I'll hand it back to Vivek.

Vivek Vikram Singh: **Slide 7:**

Thank you, sir. Now, back to the usual format of reporting our numbers. This has, as I mentioned at the start, been our highest-ever quarterly revenue EBITDA and, most importantly, net profit. On a YoY basis, our revenue grew by 20%, while EBITDA grew by 35%, and net profit increased by 34%. Our

margins have improved, primarily due to the product mix and also a little bit of operating leverage. BEV revenue grew by a solid 58% to an all-time high of 207 crores, and the BEV revenue share was at 27%.

Slide 8:

For H1, we continue to perform well on all three financial indicators: growth, margins, and returns. Our revenue, EBITDA, and PAT are up by 22%, 38%, and 40%, respectively. Interestingly, our net profit in the first half of FY24 is higher than the full year of FY21. We've achieved this in the last 2.5 years of being publicly listed, despite COVID, chip shortages, extreme inflation, high interest rates, geopolitical conflicts, and many more things that one could imagine. And, while this may be surprising for some of you who have not been following us that closely, we have more than doubled our revenues every three years since FY16, so FY19 over 16, FY20 over 17, FY21 over 18, and so forth. And this resolute performance, despite any external event, is because of our tremendous team. I'm the face of it, but it's the team that is behind us that helps us do this. And another thing I would add is the unrelenting focus on technology and innovation, and on what is next, what will we be solving for three years later, we try and do it today. I think that mindset is the reason.

Slide 11:

Moving on to our biggest strategic priority, electrification. Our BEV revenue continues to grow, and we continue to build on our EV book. In Q2, two programs have gone into production – both in the Driveline business, taking our active number of programs to 25, with 10 fully ramped up and 15 in the ramp-up stage.

We've also added two new EV programs in this quarter to our order book and one new EV customer. One program is from a new North American EV customer and another from an Indian OEM for traction motors for electric three-wheelers. We will elaborate upon both of these in the next slide.

Slide 12:

So first, the order we won from a new customer, this is a North American New Age OEM of high-end electric cars. We will supply what we are calling rotor-embedded differential sub-assemblies for the customer's high-performance electric vehicles. This drivetrain is extremely compact because the differential has been directly integrated inside the rotor of the motor. It was a complex problem statement to solve, but I'm immensely proud of our engineering team for having solved it.

The second one is the traction motor program for electric three-wheelers that we have won from one of the largest OEMs in India. They are an existing customer for the Driveline business, and we are happy to now have them as customers for our Motor business as well. This program is for their upcoming electric three-wheeler, and this win further reaffirms our leadership position in traction motors in the Indian market.

Both these programs, as you can see on your screen, should begin serial production in FY25.

Slide 13:

Now, this slide is, as always, a good visual summary of the reach and diversity of our electrification mission. This quarter, we added one new customer in North America while adding one program each in North America and India, taking us to 48 EV programs across 28 unique customers

Slide 15:

Which brings us to our order book. With the addition of 6 billion worth of new orders at the end of Q2, our net order book has expanded to 221 billion, and the EV portion is 78% of that order book.

Slide 17:

Our fourth key result area (KRA) is diversification, and this trend of increasing electrification and decreasing ICE dependence continues unchecked. In the last two years, we've seen the ICE-dependent revenue frankly shrink to only about 11%.

Slide 18:

Graphically, the revenue mix is largely similar to the last financial year. North America remains the largest end market, contributing 40% to our revenue in H1. The European light vehicle market continues to recover strongly, which has now contributed 23% to our revenue. India was our fastest-growing market last quarter, and its revenue share increased to 30% in the first half.

In the product mix, we've added a new segment, sensors and software. In the first week of September, we completed the NOVELIC acquisition, so we expect this segment's revenue share to increase rapidly over the medium term.

Last quarter, if you remember, I had said that traction motors would be our fastest-growing product segment despite the reduction and noise around the FAME subsidy, and I'm happy to report that the revenue share from traction motors for electric two and three-wheelers has doubled from 2.5% in Q1 to 5% in H1, which means that Q2 was obviously very, very good.

New programs have started and are ramping up, which was always going to be the case, and it has now started coming in. For those of you again, who have been following us, this at the time of our IPO was 0%. One thing I wanted to add before I hand it over to Rohit is that integrity is our first and primary core value. As some of you may have noticed, we always share even the smallest bit of negative news and risks upfront. We did that for the FAME subsidy impact last quarter; we did that with the UAW strike impact announcement we made last month. What we would urge and request is

that these announcements are received in the same spirit in which they are made.

Having said that, I turn this over to our Group CFO, Mr. Rohit Nanda, to update us on our financials. Over to you, Rohit.

Rohit Nanda:

Thank you, Vivek. A very good day to you all. It's my pleasure to share our second-quarter and first-half results with you

Slide 20:

The second quarter was our best quarter yet, as we clocked our highest ever revenue, EBITDA and PAT at Rs. 791 crores, Rs. 223 crores and Rs. 124 crores, respectively. Our revenue grew by 20% year on year, whereas light vehicle sales in our key markets of North America, India and Europe grew by only 14%. Our BEV revenue grew by 58% to Rs. 207 crores and was 27% of our total sales. Against revenue growth of 20%, our EBITDA has grown by 35%, mainly on account of a better product mix. Our adjusted PAT grew by 39% to Rs. 128 crores, primarily due to higher EBITDA. The PAT adjustment here is for exceptional expenses that we've incurred for the NOVELIC acquisition. This quarter's consolidated results include NOVELIC's financials for one month only, as we completed the acquisition of a 54% stake in NOVELIC towards the beginning of September.

Slide 21:

Coming to the first-half results, our H1 revenue was Rs. 1,523 crores, a growth of 22% against 15% growth in the underlying markets of North America, India, and Europe. Our BEV revenue grew by 33%, and it now constitutes 27% of total sales in the first half. Against 22% revenue growth, our EBITDA grew by 38% to Rs. 427 crores, mainly due to a better product mix. Our adjusted PAT grew by 44% to Rs. 242 crores; that's also mainly due to higher EBITDA. The adjustment to PAT here is related to exceptional expenses we've incurred for the NOVELIC acquisition.

Slide 22:

Moving on to our cash flows for the first half, during this period, we generated Rs. 300 crores of cash from operations, out of which we spent Rs. 141 crores for Capex and therefore, our free cash flow generation for this period was nearly Rs. 160 crores. The other large cash outflows during this period were primarily the NOVELIC consideration of about Rs. 210 crores and a dividend payment of Rs. 90 crore rupees.

Slide 23:

The last slide is on key ratios, and I'll only talk about the notable changes here. The first one pertains to our net debt to EBITDA ratio, which, as you would notice, has turned positive after the NOVELIC acquisition-related payment, although it continues to be extremely low. Besides this, we've seen an improvement in our return ratios compared to the last year.

With this, we have come to the end of our Q2 earnings presentation, and I'll now hand the proceedings back to the Nomura team for Q&A.

Moderator: Thank you very much. Now, we will open the floor for the Q&A session. If you wish to raise a question, please use the raise hand function located at the bottom right of the Webex page. We will unmute your line and prompt you to speak up, or you can submit your question in the Q&A chat box addressing all panelists. Please be reminded to keep your questions to a maximum of two questions. If you have more questions, please return to the queue. Thank you.

Okay, we do receive a question coming from online. The first question is coming from Jinesh. Jinesh, your line is unmuted; please go ahead.

Jinesh Gandhi: Hi, congrats on the great performance. So, a couple of questions from my side. One is on NOVELIC. Given that now the acquisition is complete, can you give us an update on how business has progressed since we first talked about it and how their order book has shaped up over the last almost nine months since we acquired them, initially, we talked about it.

Vivek Vikram Singh: Yeah. Business is progressing well. I mean, it's been one month since we acquired it. Next quarter I would say, I know capital markets are not very long-term focused, but one month is too small to give you an update; when we reach the end of next quarter, when we will complete one full quarter, we will try and integrate with our orderbook and other reporting metrics.

Jinesh Gandhi: Ok. No, I was referring to when we originally announced the acquisition earlier during this calendar year vs. now; how it has progressed?

Vivek Vikram Singh: But even at that point, I doubt we would have shared order book or revenue.

Jinesh Gandhi: No, we had not. Nevertheless, we will wait for next quarter when the complete quarter is behind us. Secondly, on the impact of the strike of UAW in the US. Any sense on what percentage of our revenues are impacted by this strike in the US?

Vivek Vikram Singh: Hard to say, as you know, this isn't a general strike where all of the customer is impacted right? So, it's plant by plant and everyday it changes. So yesterday I think two more plants have been struck. So, I doubt even Ford and GM can answer this question as of today that what it will be. What it was for last quarter is already reflected in our numbers. Let's see, I doubt that next quarter there will be too much discussion on this. Most likely, this strike should resolve itself by now. We did a little bit of reading, like I'm sure you would have done. The longest strike was 113 days 78 years ago, and the most recent one was 45 days. We are on day 40 of the strike. So, I would say we are closer to the end of the strike than the beginning. When we were at the beginning, we did issue a statement and put it up on the exchange so that people would be aware. But till now, as you can see in the results, the impact is not very high. Yeah, we would have perhaps been over Rs. 800 crores, we're not, but that's okay. We can take it. And again, like I said about the

long term versus short term, regardless of what happens, even if the strike goes on for another month, there may be some financial hit, but it will be just for this quarter. It is a very temporary thing to have. I mean, we are not spending that much time as a management team on this.

Jinesh Gandhi: Got it. And lastly, with respect to our EBITDA margin trajectory. So now we have crossed 28%. From current levels on structural parameters basis, what are the push and pull factors you are looking at from an EBITDA margin perspective? Thanks.

Vivek Vikram Singh: Yeah, Jinesh, on that, we will stick with the same answer I have given ever since we went public. We would like to remain in the range of 25 to 27% for the medium term. That's our target range. Anything more is great, but that's our target range.

Jinesh Gandhi: Okay, I got it. Thanks.

Moderator: Thank you, Jinesh. Next question is coming from Ms. Gunjan Prithyani. Your line is unmuted; please go ahead.

Gunjan Prithyani: Yeah, Hi. Thanks for taking my questions. I have two questions. Firstly, on the technology roadmap. Now the seven products, can you give us some sense on what are the sort of ongoing customer engagements as to how soon these products are due for commercialization? I am asking these questions because a lot of these, I assume, were inherently in work for a while, right? So, is it something that I look for in the next three to five years perspective or is it something which can convert in the next 12 to 18 months? So, a little bit more colour on these seven new products that have been added and where you feel most excited about.

Vivek Vikram Singh: Okay, again, an answer that's not going to make you happy, but you already know what the answer is. We have no way of actually knowing with certainty whether they will convert or not also. So, probability, as always, is between zero and hundred, and timelines could be as soon as the next few quarters to maybe never, and that's one of the things we always upfront about when we develop new products that there is no guarantee for success as you saw and you would have by now known us. Two and a half years ago, if you go to FY21, when we had only three products: DA, starters and differential gears, all other products combined were less than Rs. 50 crores. This year, in the first half, ten and a half percent that I shared in my presentation have come. So, about Rs. 160 crore in the first half itself, so if you analyze that Rs. 320 crore. So Rs. 50 crore has become 320 from other products. But at that point and you did ask me at the time of IPO, and I didn't know, and that's the truth that we don't really know which one will succeed and by how much and how soon. All we are trying to say is that this is our impact, and this is our intent, and three to five years is safe. If it is not developed and commercialized within three to five years, we will much earlier than that drop it and we will publicly announce that we are dropping it, and it won't happen. And about excited, I am excited about all of them frankly, otherwise we won't be doing them. In our strategy workshop, about

40-50 new product areas are discussed by the teams, and they bring them up. My painful job is to say no to many of them. So these are the seven that made it. So these are the seven we are truly excited about. Light weight differential, if we can reduce the number of parts that go in a differential assembly, can be a game changer right? I mean, no part is a good part, is what is said, but obviously, then auto component guys will go out of business. So, less parts is a good part is what we're trying to do. Instead of having 10 to 12 moving parts, can we reduce it even more? That is very exciting. Very excited about, I would say, the integrated motor controller. I think it's an idea that should have been done long ago. I don't know why nobody did it. That why don't we put the motor inverter everything into one body and sell it as one product? It just makes so much sense from a thermal management, from a space management, from lightweighting and everything perspective. Sensors, I think there is a great opportunity in the in-cabin, of course, we have discussed it, but in the short-range as well. So, all three, I would say. Robotics, I would say, is slightly earlier than these three because they are closer to where we are. The other three are slightly further from where we are. I don't know if I helped you at all.

Gunjan Prithyani: No, at least giving me these three where you clearly see a big business case from an OEM perspective that helps. And I'm assuming, you mentioned during the integrated motor controller that the competitive landscape also here is not, you know, doing a product which is out there and competition is doing it in a big way. It's relatively niche, and that's what I understood from your comments.

Vivek Vikram Singh: Correct. That is the thing that it's an opportunity that we noticed, and if we can get it and get it with the customer, that would be cool.

Gunjan Prithyani: Okay, just the second question is on this revenue ramp-up that we've seen in this quarter on the BEVs. Is there a little bit more colour you can give us in respect of, whether is it coming from an existing OEM ramp-up or the new programs that have been commissioned in the last two quarters, including this one itself, like a bit more colour in the execution? Have we seen any new large BEV OEMs starting to kick in?

Vivek Vikram Singh: Rohit, you want to take this? I think only one traction motor program got ramped up. Apart from that, it's all the same program same customers.

Rohit Nanda: Correct. It's essentially because of one large program for traction motors that has ramped up during this quarter. So QoQ is a growth of 12.5% actually, Gunjan.

Gunjan Prithyani: Ok. Got it. I will join back the queue. Thank you so much.

Moderator: Thank you so much, Gunjan. Just a quick reminder to the audience. If you wish to raise a question, please use the raise hand function located at the bottom right of the Webex page. We will unmute your line and prompt you to speak up, or you can submit your question in the Q&A chat box addressing

to all panellists, Thank you. The next question is coming from Arvind. Arvind, your line is unmuted; please go ahead.

Arvind Sharma: Hi, Good Evening. Thank you so much for taking the question. It's about Equipmake. Any details that you can share on any sort of order win or any clarity on the revenue stream? I know it's still far away, but anything that has happened in the quarter.

Vivek Vikram Singh: Yeah, Sure. So it is a licensing agreement, as you know, and Equipmake has been winning orders. I think they are a public company like us, so we have to be careful about what they have disclosed and what not. But they have disclosed, I think, recently a win on motors from a North American off-highway customer. So that can be found out. But like I say, they have their own investor relations thing on their website. Details must be there. But on our end, there are two parts of that agreement that we have signed, one is we manufacturing motors for them, for their production, and we also developing and selling new in India and Southeast Asia. On that, I think we have given the timelines by that it can't be before 2025. Sat, you want to add anything to that?

Sat Mohan Gupta: Yeah, Thanks, Vivek. Equipmake products will be launched sometime last quarter of CY25 or the first quarter of CY26. And right now, as soon as the development is concerned, we are validating the design and the motors which suit the Indian conditions of our customer expectations. So, I mean, as far as the revenue for us is concerned, it will be in FY26.

Arvind Sharma: Got it; thank you for taking my questions. That's all from my side. Thank you.

Moderator: Thank you very much, management and Arvind. Next question is from Hitesh. Your line is unmuted; please go ahead.

Hitesh Goel: Congratulations on a very good set of results. My first question is housekeeping. I just wanted to understand why the other expenses on a QoQ basis have come down, which has led to margin expansion on a QoQ basis. Can you explain that what is the reason? Rohit, if you can give some more colour?

Rohit Nanda: Sure. So Hitesh like I said this is primarily because of product mix. So, there are certain products, basically, there is an assembly part of the business. So when the revenue from the assembly part of the business goes up, then typically, the other expenses tend to go down, whereas material costs tend to go up. So it's primarily because of that.

Hitesh Goel: And any colour on PLI incentives? Have we started to get some colour from the government on PLI? Because some companies have started talking about it, so just want to get some colour?

Rohit Nanda: Yeah. So I mean, in a way, I'll say we are in touch, in the sense, we are going through the process that's been outlined by the government but we will let you know once we have all the approvals in place. So we have put in the application, and as you may know, there is a separate application for each

of the products. So it's a slightly long-drawn process. So, I'll say we are in the queue, and once we have all the approvals in place we will inform you guys.

Vivek Vikram Singh: Hitesh, to add to that, we will talk about it once it's done as is our usual practice.

Hitesh: My final question is, you know, our team is also writing about EV adoption slowing down. It could be temporary because the prices of battery costs went up, and the production costs are also going up globally. So, anything on that front, although you are actually adding many customers and growing much faster. But any colour on that. What are you seeing on the EV side?

Vivek Vikram Singh: Fascinating question, actually. Hitesh, this is a much longer answer and a very long discussion. And I will draw reference to at least 20 other industries, and we tried to study what happens from single digit to 90% plus when technologies change in a 15-year period, and there always comes this point where it seems to stagnate just before it's coming to that 10 to 15% mark, every single time. And most often, or more often than not, it gets corrected in the next 18 -24 months, and then it starts its upward journey again. So, it is a long discussion, and there are lots of factors at play here; geopolitics is certainly one of them. I mean, the post-COVID geopolitics shifting is one of the reasons this graph is not an uninterrupted straight line at a 45-degree angle. Second is also the new social dynamics playing out, for example, with the UAW, etc. and the European Unions. So yeah, it's interesting times. A longer discussion. We are covered regardless because we always try and prepare for growth on our own steam, which means industry tailwinds shouldn't be your primary factor of growth, and we've succeeded more often than not again. But yeah, it is a very interesting discussion, and perhaps we'll get some time to have it. It is going through this thing because the battery cell cost is not going down. If you remember, in the solar industry, the exact same thing happened – solar panels. They went down almost like a straight line – the cost and then it almost straightened for a bit before starting to go down again. I think here also the move to a better, cheaper cell technology will be what will make these tassels go away, and again, that acceleration will start. And I think it will happen. And you need a period where it seems everything is against you for this to break out inventions to happen, and I think it will. Semisolid state, maybe some other chemistry, maybe instead of LFP, we pick another one from the first column of the periodic table because any of those elements could theoretically do the job, so maybe sodium, we don't know, but yeah, it will be interesting to see.

Hitesh Goel: Great, thanks, Vivek. And all the best.

Vivek Vikram Singh: Thanks, Hitesh.

Moderator: Thank you, management and thank you, Hitesh. Next question is from Nitij. Nitij, go on; your line is unmuted; go ahead.

Nitij Mangal: Hi, good evening and congratulations on a great quarter. Before I go ahead with my question, I just wanted to say that your new differential order wins seem quite commendable that you could fit a high-speed differential inside a moving rotor, which must be a very interesting engineering challenge. I wanted to ask you a bit on the customer concentration, especially on the EV differential side. What would be the share of your top customer in that? How is it moving? How's that in the order book? And on that same note, you've done very well in North America in EV differentials; how do you see the roadmap to replicate that in Europe?

Vivek Vikram Singh: First of all, thank you. Engineer to engineer. But congratulations are not to me at all. This is to Vikram, and Mathew, and Narender and team. These are the guys who've done it. I've not done that much on this. It is a truly, truly, truly amazing drivetrain, and the more you study, the more you learn. And we learned a lot in this project. I think more than the commercial value of it, what is a real takeaway for us is that our ability to deliver to the most exacting and different standards of leading carmakers. That's the confidence that we are working with the best and doing the best things. Coming to the concentration, I think we've already mentioned this before that there is no customer who is greater than 20%. In fact, it's slightly less only, and that's not for EV diff; it is for in general. So it's not that it's really worrisome. Europe, we should see a fair amount of growth, say 2025 onwards. We have two good programs launching with two big European OEMs, so we should have more geographic diversity in revenue share also coming in from 2025-2026.

Moderator: Nitij, did that answer your question, please? Okay, moving on to the next question, it's from Garvit. Garvit, your line is unmuted; please go ahead.

Garvit: Good evening to all. Thanks for the opportunity. Just two questions. One is on the Europe size, so based on the discussions that you people are having with the OEMs in Europe. So, how do you see the demand outlook there? Like India is doing well last time you mentioned, and we are seeing the numbers also, but what about the sentiments in Europe and are we seeing any kind of traction in terms of Europe plus one due to the rise in the energy prices in Europe?

Vivek Vikram Singh: So thank you, first of all, Garvit. In Europe, our revenue share has increased this quarter. I think we are at 23%, so that shows that Europe is doing fairly well. If you remember, last year it has fallen quite a bit. Even during our discussions, as I just mentioned to Nitij, in 2025, we should see quite a lot of European DA business coming in. So it's decent. Europe plus one, this is the first time I'm hearing this phrase, so I've no idea on this one. Europe used to outsource to China, and some of that is shifting elsewhere. And when I say elsewhere, it doesn't necessarily mean that it's all coming to India, but it is moving away from China is something we are seeing as a trend

Garvit: Secondly, you talked about your vision like we are shifting from an automotive technology player to a mobility technology player, as you mentioned. So can you please put some colour like where we are going to,

like we want to be a technology partner or a component supplier to railways or aero OEMs like Boeing, etc., or what is the exact perspective?

Vivek Vikram Singh: So, correctly understood, but why just railways and aero, why not drones, why not boats, why not marine, why not bots, so we are saying all of it. So you are right, but I'm saying add more. What it means is our ambition: see you start with a vision, and then from that vision comes all the decisions that you take on the activities that you would do. If you look at our revenue today, non-automotive, which I'll say off-highway vehicles, construction and farm equipment, etc., is 10%. We think there is a lot of scope for this 10% to grow and be much, much more, and there are many devices that may not have been invented yet, frankly, which will be transporting goods and human beings in 2035. By changing our vision and our mindset, we are saying from now on, going forward, all of these industries are also our industries. They are not just a division between us and them, auto vs non-auto. All of the mobility is now our scope, rather than being a subset of mobility, which was automotive. That's the point. So your understanding is correct that it could be railway, it could be aerospace, it could be space, it could be bicycles, and anything that moves human beings and/or goods is now in our scope. That's the point.

Garvit: Thank you very much, Sir. And all the best for the future.

Vivek Vikram Singh: Thank you, Garvit. Actually, I was trying to answer your question through the Q&A chatbox, but I couldn't because it is not allowing me to send the answer

Moderator: Thank you both. I believe Nitij has a follow-up question. Nitij, please go ahead.

Nitij: Thanks. When you talk about Europe scaling up from 2025 onwards, is there a good part of EV differentials or what kind of business is looking in that scale-up?

Vivek Vikram Singh: So Pratik, can you take us back to the slide, which has the visuals of the world map and programs? So, Nitij, if you look at this, we have seven programs with five customers. Five of them are for Driveline. The two that are in motors are for plug-in hybrid motors; those are already running. So all the new for now in the order book are coming from passenger vehicle electric differential assembly as a product. So that's the answer.

Nitij: Thank you very much

Kapil Singh: We have a couple of questions from the chat box. One is – can you please give some colour on steel prices and its impact on profitability? In the last quarter, you mentioned that steel prices have come down lately. The prices of steel alloys used in manufacturing and auto components haven't come down. So any colour on that?

Vivek Vikram Singh: Sure, so Vikram is closest to that, so I will allow him to answer.

Vikram Verma: I think steel prices are rather stable. The alloy surcharge keeps going up and down. That has also come down. But there is another increase expected. So I think this keeps happening every quarter. So it's pretty difficult to tell what the future quarter is going to be.

Vivek Vikram Singh: Correct. Because when you talk to steel mill guys. They will always say we are expecting a price increase. If you talk to their customers, which are OEMs, they will say there is no chance of that. Because if they are not buying, prices won't go up. And then you have the whole geopolitical angle in China and all of this. So very hard to predict. But so far, for the last six months, they've been fairly stable. Like Vikram rightly said, some of the things like moly and chrome, and you know, nickel, they keep going up and down. So the price can go up and down a little bit, but not too much, so it's reasonably stable.

Kapil Singh: Sure, there is one more question. Great pickup in the traction motor business, but if we see the BEV revenue excluding traction motors, the revenue has been flattish for the past few quarters. Is there any seasonality in the Driveline business, or is there something else we should be aware of?

Vivek Vikram Singh: There is no seasonality that I am aware of, at least. There shouldn't be. No. I think, a lot of times in these analyses, we overlook factors because we are assuming a very linear world. It isn't really. So, last quarter, traction motors were unnaturally depressed, and this quarter, they are high because there is also a bit of makeup. So again, a quarter is not a great; I mean, it's not a big enough time period to make these comparisons, which is one of the reasons we do H1 and compare it with the whole year. That would be the better one, but yeah, if Driveline EV revenue is not going up, it would be because there is no new program, and no new customer has gone online in that quarter. You should not expect it too also to increase too much. While we have said that our BEV revenue on a year-on-year basis has grown by 58%. Flattish is not a word I would use. I don't know how to answer that. Actually, the problem becomes that we are comparing percentage share or proportionality in a very fast-growing company. So something that looks like even our starter motor business, by the way, seems like it has shrunk so much, but it hasn't shrunk. In the last two and a half years, in absolute terms, it has gone up. But because the rest of the business is growing so fast, that growth of 20% looks very low in a business that is doubled. So again, what I would say to people trying to study and understand our business is, which is something we do internally, write down absolute numbers and look at them and also understand that things that are dependent and which is most of our growth is from new programs, they grow as a step function. So if you guys recall, when we listed, we used to be doing about 400-odd crore of revenue per quarter. Then we jumped, and we went to about 500, from there we went to 600, and then we went to 700 and now we finally come close to 800, but in the middle, there are two-three quarters following that quarter which are flat, and it grows again, but if you look at it year on year, I would say that the growth has been fairly decent.

- Moderator:** Okay, thank you very much. The next question would be a follow-up question from Gunjan. Gunjan, your line is unmuted; please go ahead.
- Gunjan:** Hi, Thanks for taking my follow-up. I just wanted to quickly check that this market share that you annually share on differential gears and the starter motor business. Is there anything incremental that is worth flagging? Are we seeing improvement on the diff gear side, given that we were looking at Europe as a market? Anything on the starter motors? So, just directionally, how we are progressing on the market share gain that we were thinking about.
- Vivek Vikram Singh:** It should have increased. How much? is a tough question to answer because we do this exercise once a year at the end of the calendar, so I'll ask you that question: how many vehicles were sold by 30th September in the world? Roughly? So, Gunjan, I'm asking you because you would know better.
- Gunjan:** Sorry, you were asking me how many have been sold in the first half of the year
- Vivek Vikram Singh:** Not the first half, nine months have passed in the calendar.
- Gunjan:** Nine months should be about close to 62-63, roughly around 60 million or so.
- Vivek Vikram Singh:** 60 million light vehicles. Let's add a couple of millions of others and make it 63 multiplied by 5. And I'm doing completely back of the envelope. That will be 315 million bevel gears as a total world market for the first nine months. Pratik, how many, or Vikram, if he remembers, how many gears have we produced in the first nine months and sold? That is the market share; I mean, I'm doing a very rough one just for you. But Pratik, how many? Do you know?
- Pratik Sachan:** Not exactly, but it may be somewhere around 34-35 million.
- Vivek Vikram Singh:** That's a little high for nine months.
- Vikram Verma:** It's around 3.75 million we are doing every month multiple by 9 months is 33.7 million, divided by 5, is 6.75 million vehicles. So if there are 60 million vehicles, then we are nearly 9-10%
- Gunjan Prithyani:** So it's roughly around 8.5% or so. So, on this calculation, it seems that you are gaining. The other question, a little broader one, I had on this order book of 221 billion that we have. Now you that there is a lot more granularity on this in terms of how this feat of new age, incumbents, what's running program, so I just wanted to get your perspective on, you know, when we look at the landscape that it's certainly been slower movement of some of the new age companies and all this debate, you know, Hitesh brought up that EV adoption seems to be, maybe not slowing down but it seems that it's not accelerating at the pace that we anticipated last year. So when you look at this composition, do you see that the risk from a conversion perspective, where you were looking at three years that we should be within 60-65% conversion, that probably gets pushed out because it's more slower on EVs

and some new age companies seem to be struggling a bit in terms of the offtake in the market.

Vivek Vikram Singh: Yeah, that could be true, but fortunately, the new-age EV customers are not that many for us, and even in our traction motor business, most of our revenue comes from legacy, solid balance sheet, solid credential OEMs. Similarly, for Driveline also there aren't that many. The percentage coming from new-age EVs is single digit at best, and it's not very high. That is not a risk. The risk would be that it could be slow, but I doubt, Gunjan, that the electrification of how many vehicles will happen by 2030 or 2035 would change. So it could be that we go slow in the middle, and then suddenly it picks up. So there could be periods like that, but the end result, I doubt, is going to change.

Gunjan Prithyani: Okay. All right. Thank you so much.

Vivek Vikram Singh: And also, just to give comfort to other people, if a lot of the slightly less certain prospects OEMs in EV, we don't add to our order book. We assign them a null value till we are certain that they will survive.

Gunjan Prithyani: Okay. All right. Thank you so much.

Vivek Vikram Singh: Thank you, Gunjan.

Moderator: Thank you, management. In the interest of time, I pass the line to Kapil now. Kapil, please go ahead. Thank you.

Kapil Singh: Yeah, thanks. We have a couple of questions in the chat box. One of them is: Can you recap the dollar Capex needed for every \$1 of revenue? What has been the trend historically versus the new order book? Basically, I'm trying to get a sense of how much Capex is required to service the order book you have.

Vivek Vikram Singh: I will let Rohit answer this.

Rohit Nanda: Historically, for every dollar, we've been able to generate \$2 of revenue when it comes to the driveline business. For the motor business, the ratio is more like 1:5 to 1:6, actually.

Kapil Singh: The last question in the chatbox is, do suppliers to OEMs get a bigger advantage? One of the gear suppliers from Taiwan is opening a plant in New Mexico. Do we plan to do any production plant in North America?

Vivek Vikram Singh: It's kind of too specific. As you know, we have made it a policy that we do not talk about others. So, others' plans are others' plans? I think it's on the exchange, right? We announced our Mexico subsidiary and investment a couple of months ago. So yeah, we are in the process of setting up in Mexico. But that's got nothing to do with who else is doing what. We've tried for a long time to tell you that our way is fairly organic and driven by us. The race is long, and in the end, we are running against ourselves, and that's who we are trying to beat. Who else is doing what? Yes, we respect our competition,

and competition is a fact of life. It's a way of life. It will keep coming, and it will come from very surprising places. So we don't take anyone lightly, but we can't let our locus of control be outside us. It cannot be driven by news and others' movements. We need to have our own plan, our own direction, and our own vision. And we are following that map. The time when it comes that it looks like we are slipping, of course, we will try and course correct. But so far, I think the results are also speaking that that is the right way.

Kapil Singh:

Vivek, just one last question from my side. A very interesting discussion on product, EV evolution and penetration. One of the angles there is also that as a product undergoes improvement, these cycles come where some new innovation or product improvement happens, and that also leads to the next wave of adoption. And so, because you are seeing a lot of products from your lens, where are the major improvements that you're seeing coming through in the next 2-3 years which could help consumers adopt more electric vehicles? You can talk across segments, across geographies, whatever you are seeing for the audience.

Vivek Vikram Singh:

I think Hitesh, Gunjan, and you, all of you, are driving to the same point. I think there is going to be a significant innovation in electric vehicles and at a much lower cost, and it is the cost; it is actually the price and the cost, the price to the consumer, and the cost to produce it. If we go about it doing it in the old way we were, it will not be feasible. And I think a lot of OEMs have now publicly come out and said that that way does not make us money. Retrofitting old vehicles with an electric powertrain is not going to be the way to success here. You have to think from zero, from first principles, and build vehicles that were born to be electric. I think the drivetrain, powertrain components, and even things which were structural and not looked at so far are being looked at now, even chassis parts. How can you make them to make the cost lower and hence the price lower? I think within two years, there will be a lot more very affordable EVs out there. And this question may not be asked, the big one that is still unanswered perhaps. And again, all of you know this well is the battery part. Apart from that, I guarantee all the other costs will keep going down. I mean, in our own experience, Vikram, right, we've seen this. The same driveline is now 25 to 30% lower in price and cost to us to make than it used to be just in the last four years. If every supplier, the same thing is happening. So, the non-battery parts are going down in cost every time. And as economies of scale increase, unfortunately for low-volume players, these things never have an advantage. So why do you see the new-age guys struggling becomes a chicken and egg because they don't have the scale to either invest in mass manufacturing and newer manufacturing processes, which are low cost or with their supply chain partners working towards much lower cost products? So, the bigger guys have gotten bigger in this field. And if somebody else doesn't do those innovative things, the divide will keep increasing, in fact. And that's not great. Actually, I know that we benefit from that as well, but it's not great for the ecosystem. For EVs to reach 90% plus by 2035, it has to become a mass movement, and every OEM should become good at it. So again, a very interesting discussion. My firm belief is that it will become much more

affordable, and that kind of thing will be only 2-2.5 years in the making, and it will come now.

Kapil: Sure, thanks. That was the last question. Ronald, can we close the call?

Moderator: All right. Thank you very much, management. Thank you to all the audience on the line. In the interest of time, we'll now conclude this call. If you have any follow-up questions, please feel free to email the Nomura sales rep or corporate access team. Thank you everyone for your time. You may drop off the call now. Thank you, management team

Kapil: Thanks, management and thanks, team. Thanks for giving us the opportunity to host the call. And as always, it was a great discussion. Have a good evening, everyone. Thanks.

Vivek Vikram Singh: Thanks, Kapil. Thanks, Ronald. Thank you everyone for your valuable time and attention. Please let us know if there is any specific and actionable feedback, and we assure you that we will work on it and try to improve. See you all in the next quarter. Thank you.

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