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Subject: - Transcript of Investor Call pertaining to Financial Results for quarter and half year ended on 30th September, 2024

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, 23rd October, 2024 on the financial result of the Company for the quarter and half year ended on 30th September, 2024.

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
Group General Counsel, Company Secretary and Compliance Officer

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SONA BLW Precision Forgings Ltd. (Sona Comstar)

Q2 FY25 Earnings Conference Call Transcript October 23, 2024

The webcast recording and the presentation referred to in this transcript are available on the website of the Company and can be accessed through the following link:

<https://sonacomstar.com/investor/investor-presentations>

Moderator: Good afternoon, Ladies and gentlemen. Thank you, and welcome to Sona Comstar's Q2 FY25 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.

Kapil Singh: Good day, everyone. To take us through the Q2 FY25 results and to answer your questions, we have the management team of Sona Comstar with us. I will just introduce them quickly. We have Mr. Vivek Vikram Singh, MD & Group CEO; Mr. Kiran Deshmukh, Group CTO; Mr. Praveen Chakrapani Rao, Group CTO designate, 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, GM - Corporate Strategy and Investor Relations. Now, I hand over the call to Vivek for the opening remarks and the presentation, over to you.

Vivek Vikram Singh: Thank you, Kapil, and welcome everyone, to the earnings call of what is once again the highest-ever quarterly revenue, EBITDA, BEV revenue and BEV revenue share. But before we discuss the quarterly performance in detail, we have an important strategic announcement to share.

Slide 5:

As we continue to grow as a company and to keep expanding the canvas in which we paint, we need to look at different opportunities, and we need to expand our focus beyond the automotive sector to broader mobility areas if we are to achieve a long-term growth ambition and continue the growth momentum that we displayed for the entirety of our 25-year-old journey. And with this thought in mind, if you remember, about a year back or 12 months back, we had updated our vision statement to reflect this shift, and we had taken out auto and inserted mobility. And since then, in the last 12 months, we've been exploring various areas of mobility. While doing that, and as some of you may already know, we said this on multiple occasions, we have a few filters that we put in, regardless of whether it's an organic opportunity or an inorganic opportunity that we put in to evaluate.

The first is the products, are they expected to exist for at least the next 15 years or not? In this case, we are confident trains will have brakes for perhaps much longer than 15 years.

Second, we aim at sectors that are not only sizable but also fast-growing, because I think Bob Iger, it was said that do not be a trombone oil salesman because even if you are the best at it and the market leader in it, there is only a very small amount of trombone oil that so the market has to be large enough as well as fast-growing and whatever we acquire should have the ability to take market leadership in its product category. Escorts Kubota Limited Railway division is already the market leader in railway brakes in India and we believe with the right investment and the right focus, it has the capability to become one of the market leaders globally as well.

Third, it should further our long-standing strategic priority of diversification, whether it be in a market segment, in our customer mix or a product offering, which this obviously does.

Fourth and obviously very important from a shareholder's perspective, it should be a good financial investment. In the current case, we expect that this acquisition would be earnings accretive from year one itself.

And lastly, but at least to the management team as a group, very importantly, it should be good for the world we live in and hence the opportunities we explore must be in the cleaner part of the mobility. Now, railways is the most environmentally friendly mode of motorized transport available today. With this acquisition, Sona Comstar reaffirms our commitment to promoting green and clean mobility solutions.

Slide 6:

So, this is in a way some elements are repeated here, but I'd say that more than repeated is reemphasizing that the acquisition of the railway equipment division of EKL checks all our filters to screen new growth opportunities. The railway industry, and we will cover it a little bit, presents long-term growth opportunities. And with the railway equipment division business, we see

significant potential to broaden our product range by doing what we as a company have done best so far, which is incorporating advanced technology and engineering products.

Slide 7:

Now taking these things point by point Indian railways as some of you may already know, have the second largest railway network in Asia and the fourth largest, globally, the railway component market in India offers a significant opportunity to do various I'd say a long term growth factor and considerable and I will want to restate it to mark the emphasis into considerable entry barriers, especially in critical products like brakes. Why, if you look at the second half of this slide, this potential, if you look at the increasing investments and expanding the railway network and the various modernization initiatives of the railway, the total investment has grown at an annual growth rate of 17% over the last 10 years. This is one of the highest investment categories that is there in India today. And despite it being a 200-year-old industry, even after all these years, it is amongst the most economical and environmentally friendly modes of transportation for a large population. We expect trains with brakes to exist for the next several decades if not more.

Slide 8:

Again, to reiterate that point, Indian railways have a fairly hard barrier to entry for component suppliers due to a very strict vendor approval process. And, this is especially true for critical components like brake systems. Escorts Kubota's Railway Equipment Division, or RED, has over 60 years of experience in the railway component industry and has been a long-term partner of Indian railways and major private railway OEMs. I think the revenue split is 50-50 broadly, and I would say it easily has one of the most extensive product portfolios among railway component suppliers in India. RED is a market leader in brake systems for various types of rolling stock. It is also one of the top suppliers of couplers, suspension systems and friction products. I think as we look at it even more importantly, it also has a robust pipeline of new products. This is where Sona Comstar ownership can make the greatest delta, and with the significant potential of growth, this business already has. I think if we accelerate new products to the R&D process, we can go the distance on this acquisition.

Slide 9:

Coming to the financials, RED has a fairly strong record of financial performance across all the three key areas that we consider important: revenue growth, profitability and return ratios.

Last year, the business reported revenue of approximately 950 crores with an EBIT of 179 crores. Over the past five years, the company has had a CAGR of 19% in revenue and 18% in EBIT while consistently maintaining return ratios above 35%.

Slide 10:

This, of course, as I said, is very important to us because, as a management team, we believe that any product we make must benefit society and the world. This acquisition aligns with our goal of promoting clean mobility. I mean, if you live in Delhi NCR or anywhere in North India, you will understand and appreciate the criticality of this goal as most of the management team of this company lives here, this is an important thing. Railways are among the most green and clean modes of motorized transport today. And if you look at the bottom half of this chart. It includes Metrorail, electric buses, national rail, electric cars and plug-in hybrid vehicles. As you know, we offer multiple products for electric cars in both BEVs as well PHEVs. And we are also developing powertrains for electric buses. By acquiring RED, we are entering the railways as well and this rapidly growing railway component market should help us contribute more to greener mobility solutions.

Slide 11:

And coming to the terms, we will acquire the RED business at an enterprise value of INR 16 billion or 1600 crore. After closing, we expect the transition to be EPS accretive for us from the first year itself. Our strategy for this business will be similar to the approach we have taken with the Comstar acquisition in 2019 and NOVELIC acquisition in 2023. We believe very deeply in empowering the management of the businesses we acquire, we actually spend a lot of time evaluating the management of the business we acquire and only if they are capable, do we take that leap and by empowering them and providing them with the capital to invest in growth and R&D as well as fostering a culture where they have the freedom to take risk and learn from failure and I think that's the kind of M&A that we do. With Comstar, I mean, if you take it as an example, it was a 100% starter motor business focused on ICE, but the same team under Sat's leadership and Pravin's been a large part of it, it has pivoted to a large EV motor and inverter business as well. We are doing something very similar to transformation and development where we're trying to shift from a service-led business model to a product-driven. We intend to do something very similar from a strategy perspective with RED. Empower the management team to invest in R&D and develop more and more innovative products for our customers because what this opportunity gives us is also a channel into expanding an existing business with an Indian railway or the private OEM supplying to India. Yes, it is an asset purchase and not a share purchase. And that I think there will be more to that we can take up in Q & A.

Slide 13:

Now coming to the well, at least for this quarter, slightly more mundane aspect. The regular performance update on our business.

In financial terms, as I said, we achieved the highest-ever revenue and EBITDA. Our revenue grew by 17% on a year-on-year basis. While EBITDA and

net profit increased by 14 and 16% respectively, net profit would have also been our highest ever. However, it was adversely impacted by exceptional expenses of about 83 million or 8.3 crore related to acquisition-related expenses, which Rohit will explain later. And also, in a lighter way, I wanted to add that 12 months into the EV slowdown narrative, our overall growth continues to be driven by BEV revenue. It has grown a staggering 53% last quarter and its share and revenue has increased to the highest ever at 36%, which goes to show that sometimes narrative does strike data, but numbers are numbers, and they should be given precedence, at least in our opinion.

Slide 14:

First half, we continue to do well on all the three financial indicators. Our revenue, EBITDA and PAT are up 19%, 19% and 21% respectively. We have had a decline in return on equity and RoCE that is due to the recent capital raise of 2,400 crores to the QIP that we did last month. We expect the return ratios to improve as we deploy and invest the cash to various growth initiatives of the company.

Slide 17:

Now, moving to the update on our strategic priorities that we do every quarter. The first one, most importantly, electrification; our BEV revenue share has increased from 27% in H1 last year to 35%, and BEV revenue in rupee terms has grown by 53% to 6 billion rupees. For us, the growth in BEV revenue has, in fact, been seven times the growth in non-BEV revenue. The order book we continue to build on our EV order book. We now have 56 EV programs across 32 customers. 27 of them are in production currently. 13 are mature or completely ramped up at peak volume, and 14 are still in the ramp-up phase. The remaining 29 programs are still not in production and should start during this or the following year.

Slide 19:

Which brings me to our net order book. We have consumed 14 billion last quarter which is the reason why we have grown so much in the last quarter. We also have won business worth 12 billion and added that as an addition. So, at the end of Q2FY25, the net order book stands at ₹231 billion rupees, with the EV portion remaining quite high and 78% of the net order book. Quite interestingly, this is the first quarter in which we also won some CNG starter business and this I just wanted to mention because we do get questions on alternative fuel sometimes. So, the answer is this: irrespective if it is either way the motor or the engine, whatever powers it, it won't matter; that business will still come. So just re-emphasizing that alternate, or hybrid powertrains do not really have any impact on our business.

Slide 21:

Diversification, which has always been an important KRA, increasing electrification and decreasing ICE dependence continues unabated. In the first half, we saw BEV revenue share increase to 35 and ICE-dependent revenue shrink to only 9%. The Europe demand slowdown has meant that the revenue share from hybrid and micro-hybrid vehicles has been lower than the previous year.

Slide 22:

Now, moving to the other revenue cuts. If you look at it geographically, North America remains our largest end market, contributing 44% and, frankly, the most stable from a demand perspective as well. While India remains the second largest market with a revenue share of 28%. I mean, after a strong recovery last year, we have seen a slowdown in demand in Europe. That is why the 26% has shrunk to 22%. By product, if I come to our fastest growing product segments, have been EV differential assemblies and EV traction motors; this you can see reflected in the product mix as well. Another thing which is notable is the weakness in commercial vehicle demand, especially in India, although it is everywhere, but it is even more acute in India, which has resulted in a share of revenue from the segment going from 14% to 10% in the first half. This is quite a decline. Now, the non-automotive revenue, as you can see on the screen, has also declined; first half of H1 last year, this was 12%, and this year, it's 9%. This is due to the weakness in the off-highway segment once again in both the U.S. and India. With this, I turn to our group CTO Mr. Deshmukh to update this and update us on the technology section for his last time. Over to You Sir!

Kiran Deshmukh:

Thank you. Vivek! Good evening, everyone. On an earnings call, this is my last address as the company's group CTO. After nearly five decades in the automotive industry and four decades with the Sona Group, I will retire on October 31st. As I conclude my journey, I'm filled with nostalgia and gratitude. I joined Dr Surinder Kapoor 38 years ago to help build a fledgling steering systems company. We have since grown into one of India's top automotive technology firms supplying critical systems to leading OEMs worldwide. This journey required us to unlearn traditions, embrace innovation, experiment even with failures and cultivate passionate individuals. Together, we overcame challenges and celebrated milestones all driven by our commitment to innovation. This farewell marks not just my retirement but a celebration of our collective success. I'm pleased to pass the baton to my successor, Pravin Chakrapani Rao. With over 30 years of experience, he has held leadership positions across diverse functions, contributed to global product development and played a crucial role in expanding our R&D team. I'm confident we will continue our legacy of innovation and leadership. Given that Pravin will now lead our technology march, it is most appropriate for him to explain this slide. Over to you Pravin!

Praveen Rao:

Thank you! Mr. Deshmukh, I'm happy to present the technology update this quarter.

Slide 24:

Thank you! Mr. Deshmukh, I'm happy to present the technology update this quarter. Sona Comstar has achieved a significant milestone with ASPICE level-2 certification being awarded for its advanced active suspension system product. This affirms our commitment to delivering high-quality, reliable and innovative systems and software solutions to the mobility space. ASPICE framework is globally recognized as a standard for assessing software development processes. Efficiently implementing ASPICE leads to better process and product quality. The standard helps to improve cooperation among complex supply chains and between globally distributed development and engineering centres. This capability strengthens our current position in the market and opens up additional opportunities for business with global OEMs. I now hand over to Rohit to cover the financial update. Thank you.

Rohit Nanda:

Thank you! Pravin, a very good day to you all. It's my pleasure to share our second quarter and first-half results for FY25 with you all.

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First, we start with the second quarter results. We've had a good quarter with a year-on-year revenue growth of 17% to 925 crore rupees. In comparison to our growth, the underlying light vehicle market in North America, Europe and India, being the largest 3 markets for us, declined by actually 2%. Our BEV revenue grew by 53% to 317 crores and now it constitutes 36% of our revenue in this quarter. Our EBITDA grew by 14% to 255 crore rupees. However, adjusted for the higher ease of cost in this quarter, the actual growth was 18%. Adjusted EBITDA margin improved by about 20 basis points on a year-on-year basis. Our profit after tax had an adjustment for exceptional expenses on account of certain potential inorganic opportunities. Compared like to like adjusted for these expenses, our PAT grew by 23% to 158 crore rupees compared to 129 crore last year. On the positive side, net finance income helped our adjusted PAT margin by about 80 basis points.

Slide 27:

We move to the first half financials then. During the first half, our revenue grew by 19% to 1818 crores. As compared to the underlying growth of 3% in our key markets of North America, Europe and India. Our BEV revenue grew by 53% to 600 crores being 35% of our total sales. Our EBITDA for the first half adjusted for higher ESOP cost grew by 22% to 523 crore rupees. Adjusted EBITDA margin expanded by 0.6% on account of operating leverage and lower material costs. Our PAT adjusted for exceptional expenses grew by 26% to 307 crore rupees, adjusted PAT margin was higher by about 80 basis points, mainly due to improved EBITDA margin and net finance costs.

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This brings us to the cash flow for the first half. We've generated 467 crore rupees of cash from operations against an EBITDA of 506 crores in the first half. Our Capex spend was 224 crore rupees, and therefore, our free cash flow was 243 crores. Besides operations this quarter, we also had a net cash inflow of 2370 crores from the QIP done during September month. Temporary deployment of QIP proceeds besides surplus operating cash flow led to an increase in investments by 1890 crores, net loan repayments of 224 crores, dividend payout of 88 crores and there was an increase in the closing cash by about 385 crore rupees.

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This brings us to the last slide in the presentation, which is on the key ratios. The key highlights of this slide include further improvements in the working capital and fixed asset turnover ratios. Now close to five and four times respectively. Our net debt to EBITDA is further negative due to the repayment of borrowings out of the QIP proceeds. Our return ratios have seen a dip in this quarter consequent to the QIP fundraise that we did last quarter. With this, we've come to the end of our second quarter and first-half earnings presentation, and I'll now hand the proceedings back to the Nomura team for Q&A.

Moderator: Thank you very much. Now we are at the Q&A session, we would like to open the floor for Q&A and if you wish to raise a question, please use the raise hand function located at the bottom right of the Webex page. We will unmute your line and prompt you to speak, or you can submit your questions via the Q&A chat box addressing to all panelists. Please be reminded to keep your question to a maximum of two questions. If you have more questions, you may return to the queue. Thank you. The first question we will open the line for Gunjan. Your line is unmute. Please go ahead with your two questions.

Gunjan Prithyani: Yeah. Hi. Thanks, team, for taking my questions. Congratulations for the closure of this deal. Good to see the business diversification continue. I have two questions. Firstly, on this acquisition. I just wanted to hear a little bit more from you, you know, in terms of what happens to the management team. Is it the entire team coming along when you're buying this business? And more from your perspective, you know, what is the, I have heard that businesses that you pursue typically should have a right to win, right? So I'm just trying to understand when you look at this business. What is the biggest right to win here? And what does the competitive landscape sort of look like? positioning, I know they are the leader, but how are the business dynamics? is it about the product? Is it about cost? What is the edge that, this business has?

Vivek Vikram Singh: Thanks, Gunjan. I am very happy to get a non-EV question! Frankly, management is very, very important to us. That's one of the first things. The first question we ask ourselves is, see buying things, looking at financial metrics, we are not traders; we are a permanent group. It's easy, you can

buy something. It may look good on finances. How will you run it? And then how will you grow it to become an institution on its own? You would need capable people. We don't believe we are some superhumans who can come into any business and, you know, make it great. We rely on people who have capability and drive and have had some constraints, maybe it is constraints on capital, maybe it's constraints on focus. Like in this case, it is a great company that is part of, for that company, it is not a core business and hence, it may not have got the attention that if it got, it might prosper more. That's the thing. All the management team of the current railway equipment division of EKL is coming along and we would like to add more to the team, but everybody will be coming along.

The second part, the right to win, I think that question usually you know that line, I said that maybe before - '*pratyaksh ko pramaan ki avashyakta nahi hoti*'. It means what is primal does not usually need evidence. If you have been the largest market share in any product category for decades, you would usually have something. But if you've been a market leader in a product category for some time, along with higher margins, kind of like the last point, there will 100% be some reason for that. It is a three-player market. So, Gunjan, brakes is a very critical thing. So, there are big global companies, one big European company, one big American company and this one Indian company; three of them compete. The product validation process is super strict, and the entry barriers are very high. So, these three compete amongst each other. Sometimes cost, sometimes technology, depends on which generation of product you're in. Like in automotive, because if it's a product that's been seen for 20 years, then you have to be much better at process quality cost. If it's a product that is new then technology and how much better you make it for the customer that comes in also, cost will always run. There is no, I don't think there is a single customer purchase decision in any category of any product where the price is no value, maybe apart from Giffen goods that we studied in economics. Everything else does have that thing. Did I miss any part or no?

Gunjan Prithyani:

I think this is useful. I mean, the message that I get is still a very concentrated market, and it's basically just the validation from the government agencies, which is relationship over a period of time also matters a lot.

OK, the second question that I had was on the order book. Now, we continue to sort of see the ramp-up in the programs coming through on the full ramp-up line; typically, you've had these 29-28 programs which have won but not really translating into revenue. So, I just wanted to hear again from you, given that the entire set-up in autos with the slowdown is that, should we continue to still sort of work with the assumption that this book will translate into revenue three years out? Does that still, sort of hold true? Or should there be some change to the timelines there?

Vivek Vikram Singh:

See, there isn't much that gives me any ground to change my view; there is, there are two programs that are delayed: one, a European program that's delayed by a year, and there is one Indian EV Two-Wheeler program that's

already been delayed for six months. Apart from those two, I don't have any instances to say one way or the other and that, frankly, also could happen. I don't know if it's a powertrain link. Model launches getting delayed happens. It is more a factor of, I would say, overall economic situation or customer readiness levels. I don't know which one it is.

Gunjan Prithyani: But fair to say 231 billion or 230 billion over a span of 3 to 4 years should translate into revenues. You don't see a major risk?

Vivek Vikram Singh: So, I can tell you this: I don't think there is a single program there, and Pratik, you do confirm, started later than 2020, like at least the start of the session, fully ramped up or not, I don't know. I think there are some in there which are beginning FY27 calendar at 28 I doubt I would, you know.

Pratik Sachan: Yeah, yeah. So that's completely right. Most of the programs will start by FY27.

Vivek Vikram Singh: Correct, because Gunjan as you know, 24 months and beyond that is really, it will be exceptionally unusual.

Moderator: Thank you. We go to the second investor, Prateek Sen. Your line is unmute, please go ahead with your two questions.

Prateek Sen: Thank you for the opportunity. Sir, can you help me understand the domestic EV traction motors and controllers market? And how is this market evolving? And what's our market share?

Vivek Vikram Singh: So, it has been our fastest-growing product category, I think, for the last three years. But that is because the waste was incredibly small, and this industry was growing quite fast till the first shock came when the first duty withdrawal happened. If you remember May last year, then I think now again, we are where it's coming to a stable thing and all our growth comes from new programs starting. Actually, that's been true for most of the industries we operate. If you look at the underlying, Rohit does a good job each time each quarter he talks about that industry, underlying growth was like 2%-3% whatever and our growth was this much, we have always grown faster than that because we grow on the order of new orders, basically means either wallet share with an existing customer or you get more customers that increase markets. That is how we have grown. Right now, I don't think the EV two-wheeler industry is growing very fast now at this stage.

Market share is very complicated because what is the denominator, EV two-wheeler plus EV three-wheeler plus EV four-wheeler or just EV two-wheeler so that it varies. And also, by the way, the complication is that it also varies from month to month; if you notice the EV two-wheeler sales number, the fluctuations are quite wide and depending on which OEM is doing better or worse. Our market share also fluctuates a lot every month but, Sat maybe you can answer this. We can do the denominator. How many would we be selling per month?

Sat Mohan Gupta: Right now, we are selling around 20k per month.

Vivek Vikram Singh: Correct, So, on an average, Prateek, 20k per month. So, if you take and most of it is EV two-wheeler. So, if you take a two-wheeler market, I don't know exactly how many vehicles are for every month. But use that as the denominator because each one will have exactly one motor, none of them have two, you will get our market share or get close to it. Did that help Prateek?

Prateek Sen: Yes, sir. That's very helpful. Thank you.

Moderator: We go to the next investor with a question. Rosen Lewis, your line is unmute. Please go ahead with your two questions.

Ralson Lewis: With regards to your recent purchase of EKL's RED, right? So, I just wanted to understand, what is the kind of revenue that you anticipate it adding on to the overall the company's performance in the upcoming years. And secondly, what are the kind of competitors that you anticipate to be competing with alongside EKL in the braking system and the other businesses that EKL is involved in? That's all.

Vivek Vikram Singh: So, I will let Rohit or Amit Mishra to answer this. Also, in tribute to their role in this transaction. These two gentlemen led and closed the entire transaction. I did very light lifting. So, I'll let these two answer the question.

Rohit Nanda: Amit, are you taking this one? Ok. So, I think the last year revenue from this business was about 900 odd crores and their EBITDA margin is about 18%. So, that's where this business is currently.

Vivek Vikram Singh: So, is it EBIT or EBITDA?

Rohit Nanda: Yeah, sorry EBIT. And that's what they report. So correct. So that's where they are. That's the size of the business correctly.

Vivek Vikram Singh: We don't give future guidance for our business, neither will we give it for this business after acquiring it. So, we can only give historical numbers.

Rohit Nanda: Is there a follow-up question on this?

Moderator: Hey, Kapil, would you like to go ahead Kapil?

Kapil Singh: I just wanted to check if there is any follow-up question on this, or can I take questions from here?

Prateek Sen: Yeah, I just wanted to understand the flavour on the competition alongside EKL for the railway business in the business that EKL is involved in. Any competition that is involved against which you all would be working towards?

Vivek Vikram Singh: I think I did mention there are two other big competitors. One is the large US origin brake maker, and one is a large European brake maker. You know, we

don't take names of other companies in our presentation. But it is a very clear market. In that case, the brake category that is. There are other products in which there are competitors, but that's on the slide. And second, listen, just to help and maybe we can go to that slide. Pratik, can you take us to the financials slide, which would be no. 6 or 7 of the acquisition part and why we don't want to guide it?

So, if you look at it, this is a very, very high growth rate, right? Because this is the FY21 of 479 crores with this and now 950. Every year it won't be like this, there will be some years which will be not so fast. Like this year, there has been an election year. So it will not be the fastest. That's FY25 might have been most likely be flat. But by the time we get in, which will be by the time we'll take some time to close also. The fact that we don't know exactly when? Only then does the journey begin for us to grow. The past? And what growth has been in the past is not necessarily a great guide for the future, but it does indicate that if investments into the railway sector, investments into building new tracks and new locomotives continue, the growth rate can be expected to be fairly high, how much that will be like I said, we don't guide because of the very simple reason. I don't think any of us, all of us exult in trying to find certainty in a world which is inherently uncertain in the future that is inherently unknown. There is no way for us to know nine months later whenever the railway budget comes, what exactly will we respond to? So instead of trying to do that, we focus on trying to do what is in our control, trying to do the right things, trying to develop new products, win new contracts, win new businesses, work on cost, work on R&D and we will continue to do that as we have for the last 3.5 years that we've been public, you've been seeing us. That's exactly what we will do with this business. That's exactly what we do with business. We will continue to do those things in that nature, guessing what will happen and trying to predict that and then share it with the world. I don't think that is something we have done, or we'll do.

Kapil Singh:

I'll take a couple of questions from the chat box. So these questions are from Ayush. The first question is if the team can explain large with respect to addition of orders through our order book also, are we seeing any delays in execution of others, especially concerning European geography?

Vivek Vikram Singh:

I didn't quite understand the first part, but I can answer the second part. We have one; I actually did answer that there is one European EV-related new order whose SOP is delayed; apart from that, we have not seen any other delays outside India and one India EV 2-wheeler. I think I already answered that. The rest is a demand thing. Europe PV, India CV, US off highway - these three segments are seeing a fairly bad slowdown; the good thing with diversified revenue streams like ours is that even in this environment, we can do good things. Yes, there will be quarters where the headwinds would be so high that you can't win. But these are the three that, for now, I can say are the most of them; the rest are flat, mostly flat. But was that the question? I didn't get the lag order.

Kapil Singh: I mean, I've just read from the chat box so I'm not really sure what is being asked here. Maybe Ayush you can raise your hand or reach out directly.

Vivek Vikram Singh: Correct. Write down again in the box. And what is the meaning? Because see, you get a purchase order from purchase order to SOP bill always take between 18 to 24 months. Sometimes, it's faster if it's a running product and you're replacing someone, but that's not always usual, especially if you're a going to spec or black box type of company like we design the product. So design process has a longer time or if it's a very new type of product, then sometimes it goes even beyond 24 months. That's the thing.

Kapil Singh: Ok. One more question was there from Ayush, the fairly new plant set up in Mexico. Can you talk about the capacity utilization of that plant? And how are the synergies which we are aiming to achieve in America market coming along since this acquisition?

Vivek Vikram Singh: Sorry, which acquisition?

Kapil Singh: I don't know, I think maybe this is just related to the plant in Mexico only

Vivek Vikram Singh: Ok. So, we have not acquired. So, capacity utilization, we have to put up the equipment first. Well, Vikram. When do we expect it to start production?

Vikram Verma: Q2 or Q3 of next year. So, October timeframe.

Vivek Vikram Singh: October 2025 and only a quarter after that would a capacity utilization number have any meaning.

Kapil Singh: And then one question is there from Mike. The EBITDA margin of the railway business you are acquiring is lower than the company average. So should we expect it to converge up to the current company average over time?

Vivek Vikram Singh: I'll let Rohit answer that, but one we don't know the EBITDA margin because it's never been reported. But no, I doubt that I doubt it will converge up to the current company.

Rohit Nanda: Sorry. Kapil, could you please repeat the question?

Kapil Singh: Yeah, sure. So the question is EBITDA margin of the railway business you're acquiring is lower than the company average. So should we expect it to converge up to the current company average over time?

Rohit Nanda: I think this would be too premature, let's assume the current EBITDA margin continues for now. Ok. But having said that, the PAT margin would be largely lying with our current PAT level, so at a PAT level, it should have a similar margin.

Kapil Singh: Ok. and then one question is there from the Narottam. I want to understand the rationale for Escorts to sell the business and were there other potential acquirers?

Rohit Nanda: So, I guess that's for the Escorts to answer and not for us to answer. I guess their board meeting is coming up shortly. If Narottam can reserve this question for that meeting.

Vivek Vikram Singh: But all jokes aside, I think it would be there in the schedule. So, I'm pretty sure they would have put up on the exchanges this decision themselves. When there are two listed companies involved communication would be there. But I would say, or you know that Escorts Kubota Limited is owned majority by Kubota Japan, which is one of the largest farm equipment manufacturers in the world. For them, if you look at this railway equipment division as a percentage of the global revenue, not just as a part of Escorts Kubota Limited, even as a part of Escorts Kubota Limited, I don't know, it's like 13-14% of the revenue. But if you look at it in a global thing, it would be a very small part, maybe a percent, maybe less. It isn't their focus; it is something that is not aligned with the rest of their business. I think that's the reason. Anything more than that seriously also, not in a lighter way, I think you should address to Escorts Kubota Limited.

We estimate it to be between 18 to 20% EBIT right now; let's just do last year. So that's 179 upon 950, right? So that's 18.8%. So yeah, 20-21% should be there. And those are the numbers Escort Kubota Limited has been reporting the railway division number as a segmental revenue, the revenue and EBIT and all of those numbers are there in the public disclosures every quarter part of the investor presentation. So, all of them can be easily found in the public domain.

Kapil Singh: OK. Vivek, I have actually one question for Mr. Deshmukh if he's there since it's the last time we are interacting with him, sir, on this public platform. So, I would like to know, in terms of you're leaving behind a legacy, right? So we just want to understand what, what do you think is the strength of Sona as far as the R&D process is concerned? the approach to R&D and what kind of processes have you built? So, that we or the company doesn't miss your presence as you move out.

Kiran Deshmukh: Firstly, I think one of the strengths of Sona Comstar has been R&D, it's a company built on technology, if you see the kind of financials that you're seeing purely because of the technology that it has and it owns. So this company doesn't depend on external help for technology. It is completely owned by itself and developed by itself. And this has happened over the last 25 years. So the processes for R&D, processes for developing new technology. And when we talk about R&D, it is not just about products but also about the processes. So both processes and products R&D go hand in hand, and the processes for developing the processes and processes for developing the products are extremely well defined, and the company follows TQM practices. As I think everybody knows, in TQM practices, you have a process. It is a process-driven approach. So everything is, it doesn't depend upon the individual; it depends on what systems you have in place. So already very strong systems are in place. And therefore, when I leave, I leave with the sense of satisfaction. And I have full confidence that the team

under Vivek and Vikram and Sat and Darko will take this company to the next level.

Moderator: The next one, we will go to Mukesh Saraf. Mukesh, your line is unmute. Please go ahead with your two questions.

Mukesh Saraf: My question is firstly on the acquisition, just trying to understand the, one of the key strengths, is it? So, my question is, is pricing one of the key strengths of the Escorts Kubota braking systems? The reason I'm asking is that this is obviously competing with large European giants who have products and technologies throughout the world. And when I look at the margins of, say, one of those companies, it is upwards of 35% in India. So, I'm just trying to understand if pricing is basically localizing some of those technologies here and being able to supply it at a lower price. Is that one of the key strengths here for this braking business?

Rohit Nanda: So, Mukesh, the thing is that, based on our understanding of the market and their positioning, Vivek already mentioned that this is a market which is and especially if we look at brakes, which is their largest product. It's a market which has three players, and they have a large market share. So, it is both price and quality because eventually, all these orders, railway orders, are run through a tendering process. So, price cannot be the only criterion. And as you can imagine, brakes are a safety product. So this is, this is something on which railways or any company would not compromise just for cost reasons. So it has to be both, it has to be quality as well as cost.

Vivek Vikram Singh: In the general. I don't think there is any category anywhere in which you can be the largest market share by being cost alone. You have to be good and have a good cost. We've been in the auto business for long enough to do that. It is never price alone. You have to do two out of three, either best, cheapest or most convenient. You have to be at least two. If you are all three, you are god, but at least 2 out of 3.

Mukesh Saraf: Absolutely, Vivek. So the reason I asked this question is, are there cases where you have, you've probably seen in the past, that EKL's braking business has kind of brought in new technology, maybe even ahead of the European competitors? So that's the reason I asked the question. So have you also been, have this, has this also been technology?

Vivek Vikram Singh: True. True, true. So, Mukesh, yes, the answer to that is yes, we can't talk too much about it. As you know, it is an announcement with an intent to acquire till it's closed. We don't actually own the asset, right? So there are some things we can't disclose, but the answer to that is yes. However, there is a very, bizarre thing in railway, in the private space if you are first with the technology, actually, or first mover advantage that you get a lot of market and in railway actually because they always have to have multiple suppliers for each product, you have to actually wait for others to also come up with the technology only then. So it's slightly different from our area. but, the short answer is, have they been able to do it in the past? Yes, and can we do it in

the other product categories also? The answer to that is also yes, and third, an unanswered part of your question is that when there are big global people. We love that and that is what we love doing. What do we do in differentials? We compete against big, big global companies. Motors, we compete against big global companies in life in general if you're an ambitious person who wants to achieve and create something of significance. Find people above you and compare yourself to people bigger and better. Do not just compare yourself to the lowest of the low and be happy and satisfied fighting for that. Let's compete with better people. That's what we've done in every single business that we do. That's what we intend to do in this one.

Mukesh Saraf:

Got it, got it. Thank you for that. And secondly, my question on the forging business is if there is any colour you can provide on one aspect that I was looking at, which is your nonferrous forging. So, you have mentioned that now for the last few quarters as future products. So, are there any updates that you can provide anything at all on non-ferrous? And the reason I'm also asking this is obviously now with the new business of railways, how is the top management's focus going to be shared across these business lines? So, yeah, this question.

Vivek Vikram Singh:

So, the first part is easy. I won't even bother, because if there was an update we would have shared, you know, when an update has to be, that we have won a purchase until then all updates are in a way meaningless to at least the shareholder community because we internally and I mean, you know, we track it on the entire technology readiness level. Each product from TRL1 to TRL7 is the progress that is all in-house. The TRL8 is when you get a customer order only then does the disclosure make sense. So when that happens, we will. Effort is relentless, result you know, sometimes even with best intention doesn't come. But when it does, of course, we will share. The second part which is top management bandwidth. I think I partially answered this question to Gunjan, which is why we like buying or acquiring businesses where there is already good management, we don't intend to do much. I mean, you look at our history, NOVELIC, you know, the entire team is there, right? I probably go there once every four or five months. Rohit spends some time with them, but mostly, we do it on phone calls. If it does require a very heavy involvement in us going and firefighting, we'd probably not do it. We hold management bandwidth and available time to be very sacred. In fact, we will even go to the extent of taking our most valuable, and we don't waste them lightly. So, we like getting businesses with great management teams and good leaders. I mean, look that business has gone from about 450 to 950 in 4 years. The guys are doing something right that this is a good team already. If it was a bad team, they wouldn't be able to grow it so fast and so well; they have added new products, they've introduced and are working on a new future pipeline. It's a good team.

Mukesh Saraf:

Sure, understood. Thanks a lot for that.

Moderator: Thank you very much. We shall move on to Nikhil, Nikhil your line is unmute, please go ahead with your question.

Nikhil Kale: Congrats to the team on the acquisition. Just had one question on some of these new products that you've spoken about for the railway business. Can you just throw some light on them? And I also wanted to understand in terms of, would you have to go through the entire approval cycle for these new products or would it be like a shorter gestation period to that extent, a quicker kind of commercialization?

Vivek Vikram Singh: Nikhil, short, I don't know, shorter than it would be if we were complete outsiders, but you still have to go through the process. Actually, you know, we tried looking at this organically as well before obviously acquiring because that's the first thing we do anything acquisition related - do make vs buy, and say, can you make it? What you realize is the approval process if you want to go in as a non-empanelled is so long; it's like 5 to 6 years. So, if you're already empanelled and doing safety-critical products, the time is short, but it still will require the whole process and steps to be completed. So, it's relatively short.

Moderator: Hi, Nikhil. Do you have any follow-up questions?

Nikhil Kale: Yeah, thanks. Thanks for that. I just want to understand. So, for all the new products that you're kind of looking at HVAC and some of these other products that you kind of showed on the slide. The plan is to kind of do all the entire manufacturing in-house or kind of show some of these components and maybe become like a system supplier, or how are you looking at that?

Vivek Vikram Singh: That will depend from product to product, and frankly, it's likely early to be talking about future projects on the day of what, but it will depend again; these are obviously operational decisions, but let me just boil it down for you. This is by the way in our regular business, whenever you get the purchase order for something even before that you would have submitted your entire costing to the customer, et cetera, in doing that you would have already developed and found a supplier, you would have already figured out what you will produce and at what process times, etcetera. So it is different for everything. And you take that decision, what is the best for the end customer? From both a cost and quality perspective. Of course, if there is something that is strategic and can increase value in the long term, for example, software, we give an update on ASPICE like this time at level-2. Why do we think software is so core that we keep most of it in-house and we have a dedicated team? And if you do find ASPICE level-2 means we are actually getting certified for automotive software. I mean, four years ago, we didn't even have automotive, we are now competing with those companies in that domain because we think it's critical. So like that, there will be parts, even in hardware, where we say it is too critical to outsource, and there will be things we will outsource. Forget parts; sometimes, it's also processes for the same part; there are multiple processes; some you keep in-house, and some you

will outsource. Depends. I know it depends, is the least helpful answer. It genuinely is the answer. It depends.

Moderator: Thank you, Nikhil. Thank you so much. Thank you so much. We are now going down the list. Rohit Gupta, go ahead your lines are unmute. Please go ahead with your questions. Hi Rohit, are you able to speak up? Seems like he is having some challenges. We shall go on to the next investor, Nitij Mangal. He has dropped. Let's go back and try Rohit. Are you able to speak up? Perhaps you can type your question in the chat box? Yeah. Ok. We move on to the next investor, Pradeep Jain. Pradeep, your line is unmute. Please go ahead.

Pradeep Jain: So, Vivek, I want to know about the CV traction motor factory. What is the status of that?

Vivek Vikram Singh: Thank you. So sorry, sorry, you have to repeat that.

Pradeep Jain: Yeah, CV traction Motors. We are establishing the works now. CV, traction motors.

Vivek Vikram Singh: So we currently don't have any CV, traction motors. Oh bus motors? Sat, you can update on the bus traction motor.

Sat Mohan Gupta: Pradeep. We are on track, I mean as we have promised in the previous investor calls also. we are on target, and we are just in the first calendar year, the first quarter of the calendar year 26. We are going ahead with the plan, so it's on track right now.

Pradeep Jain: Yeah. Ok. Thank you.

Kapil Singh: There are no further questions in the queue. I'll hand it back to the management in case there are any closing remarks.

Vivek Vikram Singh: Perfect, thank you Kapil. No, closing remarks. Yeah. Thank you, everyone for being here. Thank you for listening. Thank you for asking questions. Please ask us good questions. Makes us better. Keeps us on our toes. And wish everyone a great holiday season, Happy Diwali. See you next quarter. Bye.

Kapil Singh: Ladies and gentlemen, on behalf of Nomura, we thank you for joining this call and wishing you all a Happy Diwali as well. Deanna, we can close the call now.

Moderator: Thank you very much. Thank you everyone for joining today's call. Have a good evening. You may drop the line now.

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