



Remaining true to our deepest purpose



We are often told we are a great company. However, we sincerely don't think so, and perhaps because of this attitude, this deep yearning for becoming something better than we are, we may one day indeed become a great business."

Vivek Vikram Singh
Managing Director & Group CEO

Dear Shareholders,

We had a stellar fiscal year 2024, which saw us accomplish most of our objectives and advance towards achieving our long-term vision. Despite facing formidable headwinds, our net profits rose by 31% year-on-year, with our Battery Electric Vehicle (BEV) revenue increasing by an impressive 32%. We welcomed four new EV customers, added 12 new EV programmes, and ended the year with a robust order book of INR 226 billion, ensuring that we will confidently continue our growth momentum in the next fiscal year and beyond. We have been, we are, and we will always continue to remain hungry for profitable and technology-led growth.

We made significant progress on our expanded and futuristic technology roadmap and added 'Sensors and Software' as our third pillar of growth. This year, we also updated our Vision statement, "to become the world's most respected and valuable mobility technology company for our customers, employees, and shareholders." We believe mobility extends beyond automobiles, encompassing all vehicles and devices that facilitate the transportation of humans and goods. This broadened scope from automotive to mobility signifies our expanding ambitions and eagerness to leverage our technological expertise in adjacent product or application areas. Our future is bright, and we eagerly anticipate achieving many more milestones.

Singhavalokana*: The year in retrospect

This letter, apart from serving as a performance report from a Manager to the Company's owners, also allows me the opportunity to look back and assess our journey over the last fiscal year. So I want to first share some lessons or, more accurately, reflections that I have gathered in the three years that have gone by since we became a publicly listed company.

Reflection 1: All our business decisions count—those of commission as well as omission.

There is a unique challenge involved in public reporting: that we talk only about what we did and not what we didn't do. This means that all observed successes and failures are solely acts of commission. There is no mention of successes and failures as acts of omission, which go unnoticed and unreported. This makes it difficult for shareholders to know how many disastrous decisions we prevented by saying 'no' and also how many profitable opportunities we missed out on by doing the same. In the past year, on average, we evaluated at least one investment, acquisition, or partnership opportunity every week. Still, we decided not to

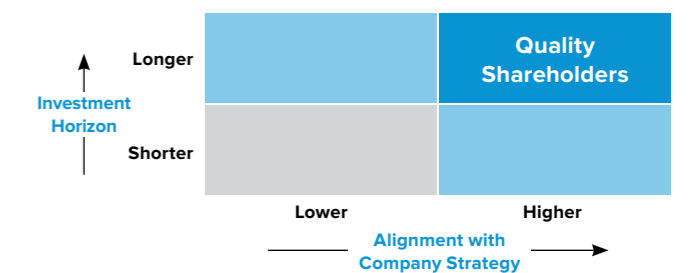
pursue most of them as they did not align with our purpose or our strategic objectives. Or they aligned with them but presented unfavourable risk-reward scenarios. I want to assure our shareholders that the leadership team and I are aware of this deviation and constantly reflect on whether our modest successes have made us more risk-averse. We strive to maintain our culture of taking 'medium risk-high return' bets to ensure our Company's continued growth.

Reflection 2: We cannot afford to drink our own Kool-Aid and need to always stay on the path from good to great.

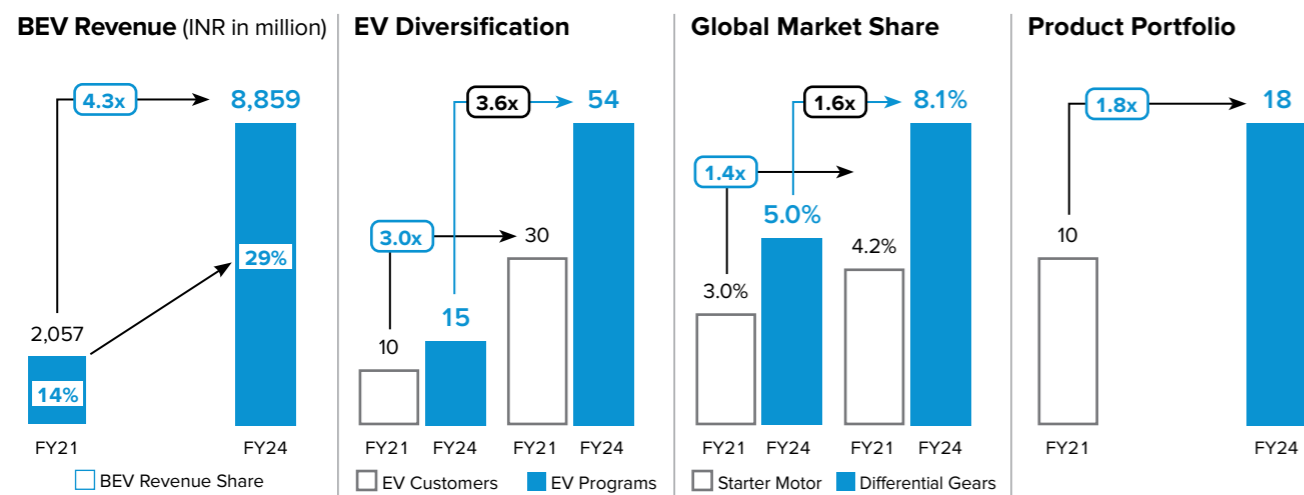
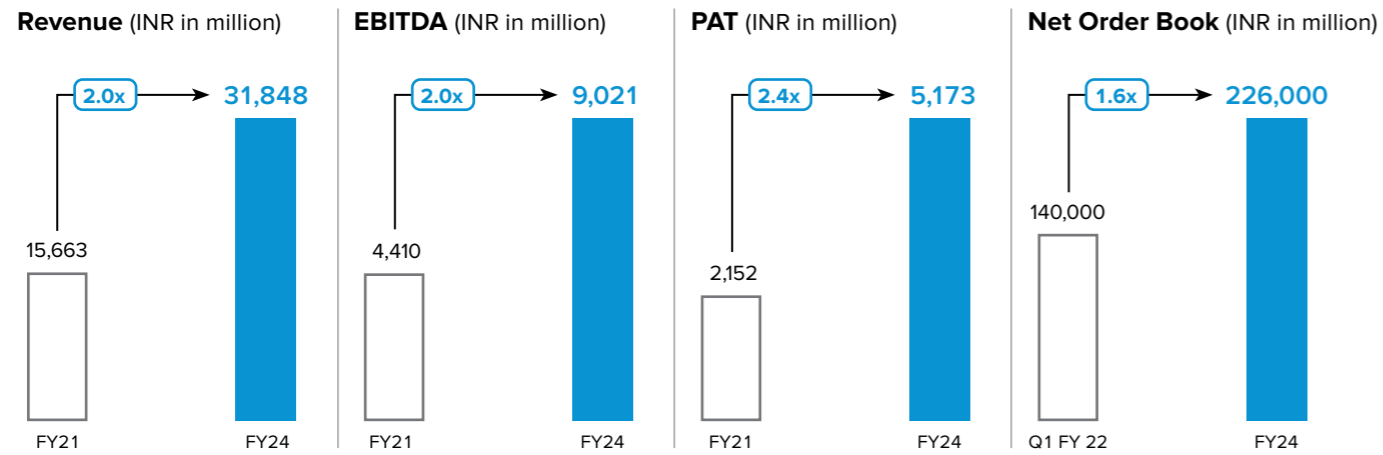
We are often told that we are a great company. However, we sincerely don't think so and perhaps because of this attitude, this deep yearning to become something better than we are, we may one day indeed become a great business. We see ourselves as a good business on our way to becoming a great business. If we are truly fortunate, we will continue to be on this journey of self-improvement forever.

Reflection 3: We need to be absolutely clear about what being a good business means for us.

Our definition of being a good business for our customers is that we will continue to design and build top-notch technology products that solve their complex engineering problems and give them an edge over their competition. Being a good business for our employees means we will continue to foster a culture of innovation that gives them pride and the opportunity to align with our purpose. Being a good business for our shareholders means their continued alignment with our values as well as their long-term monetary value creation. Through our actions and communication of our business philosophy and future vision, we strive to attract and retain long-term owners of our Company on this exciting journey. We are fortunate to have a majority of public shareholding with 'Quality Shareholders', who we define as those with a longer investment horizon and aligned with our strategy and vision. We are committed to creating value for all those who have entrusted their assets to us and will remain unwavering in our efforts to do so.



*For those encountering this term for the first time — it is believed that after a lion has traversed a meaningful distance in the jungle, it looks back to examine the path it chose, and this is referred to as 'Singhavalokana' in Sanskrit.



Reflection 4: Our business is best understood in 3-year cycles.

Our IPO was three years ago, which is also the period of our planning, product, and business development cycles. As responsible managers, we want our shareholders to understand our business and management philosophy and see us in the same three-year cycles that we see ourselves.

So, let's do a thought experiment. Imagine you are a time traveller who met us during the IPO process and then jumped three years forward in time to today. You will notice that we have doubled most of our important metrics—our revenue and EBITDA have doubled, and our PAT is 2.4x higher. We have achieved this by increasing market share in existing products and by adding new products. Our BEV revenue grew 4.3x in absolute terms, as EV customers trebled from 10 to 30, and EV programmes increased 3.6x from 15 to 54. Today, our BEV exposure is diversified across customers, programmes, products, and geographies.

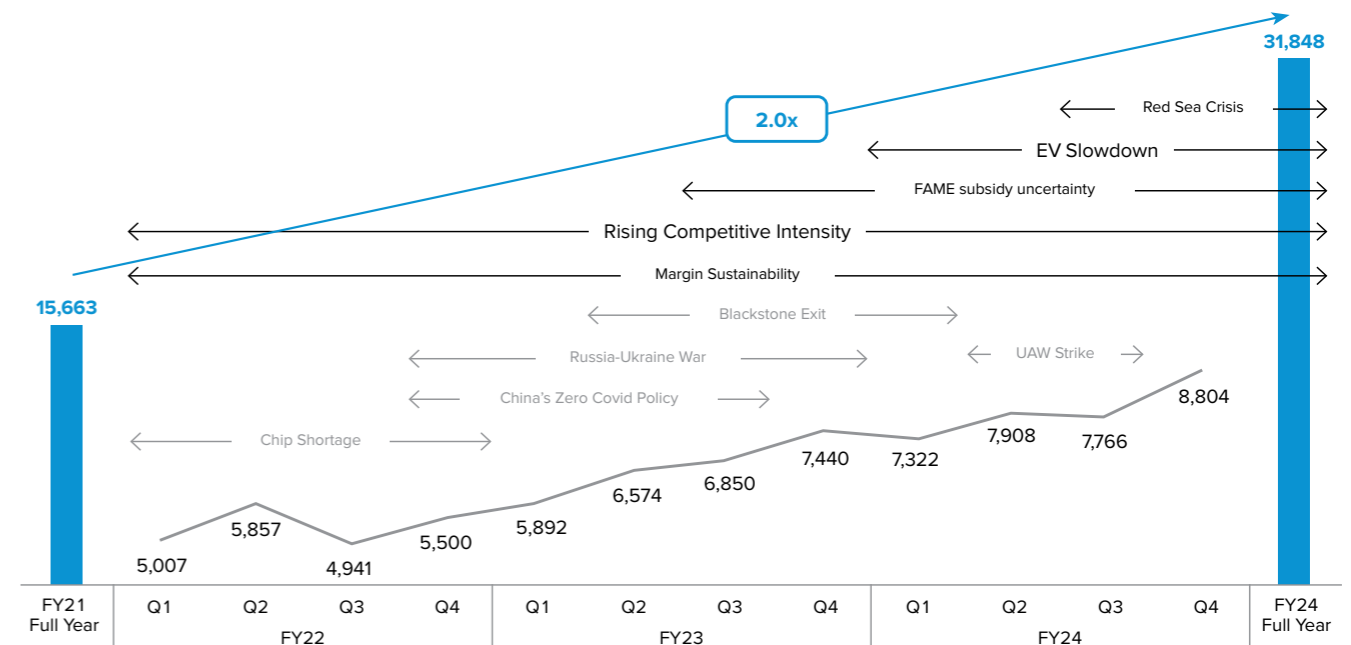
We have introduced eight new products, which have added more than INR 100 billion to our net order book, which has grown to INR 226 billion from INR 140 billion, showing our effectiveness in getting new products to commercial technology readiness.

However, as a time traveller, you only see these results, and you may think that the past three years have been extremely favourable for the industry and that the Company has faced zero challenges. But if you have observed us over the last three years, you would have noted that we achieved this performance despite multiple headwinds. We've had to deal with issues like the COVID-19 pandemic, chip shortages, and other crises, but we've managed to overcome them and continue to grow. Some current issues, such as the Red Sea crisis and uncertainty around FAME, may also affect us, but we believe that they will eventually be resolved.

Since our IPO, we have been asked about our ability to maintain our profit margins and the impact of rising competitive intensity. Over the past 25 years, since our inception, and even as a listed company for the past three years, we have maintained an average EBITDA margin of over 26% while gaining market share against strong competition globally. Twenty-five years is a long period to prove a point, but I guess only time will tell whether we are able to maintain margins over the next 25 years as well.

Some of you have expressed concern over the impact of Blackstone selling its shareholding in the Company. Since it has been over a year since their exit, I feel we should address it. This is my 10th year with this amazing Company, and during this time, we have provided healthy exits to three major shareholders. As CEO, my responsibility is to ensure that the exit of any one shareholder does not impact our business or prospects. We are committed to delivering returns to our public shareholders who joined us during or after the IPO. This culture of responsibility is perhaps our most enduring management ethos.

This significant growth in the last 3 years was achieved despite various investor concerns.



FY2024: Our Report Card

I will now present our performance scorecard based on our six Key Result Areas (KRAs): financials, electrification, global significance, diversification, technology, and sustainability.

Financials

Our revenue, EBITDA, and PAT have grown by 19%, 30%, and 31% y-o-y, respectively. New products and business wins from existing and new customers continue to drive our revenue growth. Quite importantly, for a business that believes in the primacy of cash flows as the most important financial metric, the strong operating performance has led

to 88% growth in free cash flow (FCF), ensuring further improvement of our ROCE and ROE to 31% and 28.5%, respectively. Apart from our stupendous team, our unrelenting focus on technology and innovation is the biggest reason for this resilient performance.

Electrification

The shift towards electric mobility is one of the most significant transformations in the automotive industry's history. As pioneers in this field, we have embraced this change and established ourselves as a leading provider of electrified powertrain solutions to the leading automobile manufacturers in India and globally. Our BEV revenue



increased by 32% to over INR 9.0 billion in FY 2023-24, resulting in an increase in our BEV revenue share from 26% in FY 2022-23 to 29% in FY 2023-24. We won 12 new EV programmes and added four new EV customers, taking the number of EV programmes to 54 and the number of EV customers to 30.

Global significance

We have grown our global market share of differential gears from 7.2% in CY 2022 to 8.1% in CY 2023 and from 4.0% to 4.2% in starter motors. We have secured orders worth INR 51 billion in the last year, thus increasing our net order book to INR 226 billion, or US\$ 2.7 billion. Remarkably, 79% of the net order book is from various EV programs. Recently, we celebrated the significant production milestone of 400 million differential gears and 6 million differential assemblies. These achievements are testimony to customers' trust in our products and engineering capabilities.

Diversification

We recognise the importance of maintaining a balanced mix of customers, end markets, and products. Our revenue mix diversification by powertrain exemplifies our proactive approach to risk management and strategic planning, with the share of ICE-dependent products declining from 25% in FY 2020-21 to just 10% in FY 2023-24. By reducing our reliance on pure ICE technology and embracing emerging, trends in electrification, personalisation, intelligence and connectivity (E.P.I.C.), we are future-proofing our business and positioning ourselves for sustained success in future years.

Progress on our technology roadmap

We have updated our product and technology roadmap to align with our new vision statement, which focuses on addressing the megatrends of E.P.I.C. in the broader mobility space. New product development is crucial to our growth strategy as a product engineering company. Over the past three years, we have successfully added eight new products to our offerings, doubling our total to 17. Our focus on innovation has been recognised by our customers, who have awarded us new business worth over INR 100 billion for the products we developed only in the last three years.

We have expanded our competencies by adding a new 'Sensors and Software' vertical by acquiring NOVELIC. Our expertise in this area includes semiconductor chip design services, radar sensor design, signal processing, perception, and sensor fusion software. Our radar technology has various applications in the automotive industry. Additionally, we are working on developing products for non-automotive applications. Last year, we partnered with Equipmake Plc. to develop a high-voltage powertrain for electric buses, commercial vehicles, and passenger vehicles. Equipmake's technology has been road-tested in various parts of the world, and we believe this partnership will expedite our foray into the target segments.

Sustainability

Our journey towards sustainability is a testament to our commitment to responsible stewardship. We have made significant strides in reducing emissions and water intensity in our business. We have progressed further on diversity

and inclusion by doubling gender diversity in the last year. Our accolades, including the 'Great Place to Work' certification and the Golden Peacock Award for excellence in corporate governance, underscore our relentless commitment to environmental and social responsibility.

In Conclusion

Our Group Chief Technology Officer, Mr. Kiran Deshmukh, has decided to retire after serving the Sona Group for almost four decades, including the last eight years with our Company. To ensure a smooth transition, the Company has requested him he continue until October 31, 2024. Mr. Deshmukh has made an immeasurable impact on our technological advancements, product innovation, quality focus, and strategic direction, and his legacy will continue to inspire us.

As one chapter ends, another begins. We are pleased to appoint Mr. Praveen Chakrapani Rao as our new CTO, effective November 1, 2024. Praveen is the current President and Head of Motor Business R&D. He brings over three decades of invaluable experience in the automotive industry, having held leadership positions across various domains. Praveen has been associated with the Company for 24 years, starting with Visteon India's motor business, which became Comstar and later merged into Sona Comstar. Although it is impossible to fill Mr. Deshmukh's shoes, we have complete faith in Praveen's ability to transition seamlessly into this role and lead our organisation's technology initiatives to greater heights in his unique way.

As we chart the course for the future, we keep one of my favourite lines from the Brihadaranyaka Upanishad as our mantra: "You are what your deep, driving desire is. As you desire, so is your deed. As your deed is, so is your destiny." By remaining true to our deepest purpose, we will shape our actions, which will shape our destiny of building an Indian engineering company that the world can be proud of.

We are excited about the opportunities ahead and will pursue both organic and inorganic growth to expand beyond automobiles into newer mobility sectors. As T.S. Eliot wrote, "Only those who will risk going too far can possibly find out how far one can go." We are committed to this journey of going as far as we can, constantly pushing boundaries and setting new standards in the mobility industry. We invite you to join us on this journey. Together, we will continue to innovate, inspire, and shape the future of mobility.

Thank you for your continued trust and support.

Warm regards,

Vivek Vikram Singh
Managing Director & Group CEO

