CFO'S REVIEW

# Spearheading bold moves with discipline

**Rohit Nanda**
Group Chief Financial Officer

**Dear Shareholders,**

FY 2024-25 marked the completion of 25 years of our operations. We continue to work towards becoming one of the world's most respected and valuable mobility technology companies for our customers, employees, and shareholders.

To fulfil this vision, we continue to grow our market share in the existing products, wherein our global market share for Differential Bevel Gears grew to 8.8% (up from 8.2% last year) and for starter motors to 4.4% (up from 4.2% last year). We entered the E2W/E3W market four years back with our range of traction motors and inverters, and this segment has grown to 8% of our revenue in FY 2024-25. We added 32 new programmes and seven new customers during the year, and increased our order book position to INR 24,200 crore, 77% of which consists of EV programmes.

Amongst the key product and technology milestones achieved during the year was our first product order win in NOVELIC, a company primarily engaged in engineering, software and chip design services at the time of its acquisition in FY 2023-24. We also commenced supply of suspension motor controller module, developed for a unique and novel application in pro-active suspension system made by one of our customers. We also developed three new products during the year.

## Railway acquisition

To accelerate our journey to cater to multiple forms of mobility, we identified Railways as a sustainable form of mobility and entered into an agreement to acquire the Railway Business of Escorts Kubota Limited in October 2024. We consummated the transaction on June 1, 2025, through a slump sale.

Business and growth drivers of the Railway Business are different from those of the Automotive industry, and therefore, we believe that this business offers us a true diversification. A large part of the current revenue comes from various types of railway brakes, couplers, and suspension systems, but the Company has scope to add more products and continue to grow over the next few decades. We aim to leverage in-house R&D as well as seek global technology partnerships to add more products to this business.

## Growth avenues

In anticipation of the M&A transaction(s) and to strengthen our balance sheet, we raised equity capital of INR 2,400 crores through a Qualified Institutional Placement of our shares in September 2024. We thank all our investors who reposed their faith in us by giving an overwhelming response to the issue.

Our hunger for growth continues unabated, and we will continue to explore both organic and inorganic avenues to offer long-term value to our shareholders. Our existing products still have room for further growth, and our growing order book reflects the same. We have also identified new products and application opportunities, which we believe can be addressed by harnessing our existing capabilities through in-house R&D and/or technology tie-ups.

Some emerging applications with multi-decadal growth potential include gear and motor applications in Humanoid robots, e-VTOL, drones, and AGV/AMRs.

When it comes to inorganic opportunities, we have set evaluation guardrails to stay true to our corporate vision. We look for businesses having long term relevance (longevity) and strong moats due to technology or process advantage or barriers to entry, typically reflected in differentiated margins (profitability). From a capital structure perspective, we avoid high leverage and will remain conservative on this front.

## Performance in FY 2024-25

In the year gone by, we grew our revenue by 12% to INR 3,555 crore, while our Profit after Tax increased 16% to INR 601 crore. We generated INR 360 crore of free cash flows after spending INR 416 crore on capex during the year. We benefited from income accrual from the Auto PLI scheme, for which we had eight products approved, and from deploying surplus funds in various investments.

On the sustainability front, one of our key metrics – BEV revenue as a percentage of overall sales, reached a new high of 36% this year. We also continue to improve intensity (per rupee of revenue) across various ESG parameters. Energy consumption improved by 1.6%, waste generation by 1.3%, and emissions (scope 1 & 2 only) by 0.4%. The share of electricity consumption from renewable sources as a percentage of overall energy consumption jumped to 3.4%, compared to 1.9% last year.

Similarly, we showed progress in diversity by increasing women's participation among employees to 8.1%, up from 7.7% last year, and among workers to 5.5% from 5.4%.

## Outlook for FY 2025-26

As we peek into the near-term future, we foresee uncertainty arising from the actions of some large nations through the imposition of tariffs and non-tariff trade barriers. Trade barriers tend to evince retaliatory responses from trading partners, increasing uncertainty and complexity.

A Feb-2025 Federal Reserve paper studies the effects of increased trade costs due to tariff and non-tariff linked disruptions on inflation, and concludes that these effects tend to be inflationary and persistent, especially for intermediate goods. We believe continuing trade barriers will likely be inflationary and disruptive to overall economic activity, and we may be getting into an economic slowdown.

While this poses challenges, it also offers opportunities for those prepared to "climb the wall of worry". We believe Sona has the appetite and the balance sheet strength to seek and benefit from such potential opportunities.

Warm regards,

**Rohit Nanda**
Group CFO