

Management Discussion and Analysis

INDUSTRY OVERVIEW

In calendar year (CY) 2025, global automobile sales continued with the upward trajectory, with year-on-year growth rate accelerating from the last year. According to S&P Global Mobility, total global light vehicle sales reached approximately 91.94 million units in CY 2025, reflecting a 3.7% increase over the previous year.

This growth was driven by broad-base recovery across major markets after several years of disruptions. CY 2025 was also the first year in which global light vehicle sales exceeded the pre-pandemic CY 2019 level of 89.9 million units, marking a complete recovery from the COVID-era downturns and subsequent supply-chain disruptions. However, the recovery remained uneven across regions. Growth was supported by policy measures, new models and improved vehicle availability, but continued to be moderated by affordability pressures, geopolitical uncertainty, elevated interest rates, trade and tariff uncertainty, and the varied adoption of EVs across markets.

Despite persistent global headwinds, including geopolitical uncertainty, elevated borrowing costs and affordability pressures, According to S&P Global Mobility, North America and Europe recorded positive sales growth, although the pace of growth moderated in both the regions. In North America, light vehicle sales in the US are estimated to have reached around 16.37 million units in CY 2025, reflecting a modest growth of 2.1% year-on-year, supported by resilient demand despite higher vehicle prices, elevated interest rates and tariff-related uncertainty. Europe also recorded limited growth, with new car registrations increasing by 0.5% to 18.76 million units due to challenging macroeconomic environment, weak consumer sentiment and high interest rate, while the region's powertrain mix continued to shift towards hybrids and electric vehicles. Asia remained the strongest growth driver, led by China, where light vehicle sales rose 5.1% to 27.75 million units. Growth was supported by pre-buying due to trade-in incentives, rapid new energy vehicle adoption, increased competition and new model launch by local OEMs.

The global push for electrification continued in CY 2025, with electric car sales rising by more than 20% year-on-year to around 21 million units, accounting for nearly one in four cars sold globally, according to the International Energy Agency (IEA). China remained the clear leader in the transition, with NEV penetration rising to around 54% of passenger vehicle sales, supported by attractive pricing, wider model availability and continued policy support. Europe was the fastest growing EV market, with sales rising more than 30% and reaching 28% of total car sales in CY 2025, supported by tighter EU CO₂ standards. In the US, EV penetration remained relatively

stable at just under 10%, with sales momentum weakening towards the end of the year following the expiry of EV tax credits. Encouragingly, electrification trend expanded beyond the largest markets also. Overall, more than 100 countries recorded growth in electric car sales in 2025, highlighting that the transition is becoming increasingly global, even though the pace of adoption remains uneven across regions.

In India, the passenger vehicle market achieved a historic milestone in domestic sales. According to the Society of Indian Automobile Manufacturers (SIAM), domestic passenger vehicle sales reached an all-time high of 4.64 million units in FY 2025-26, registering a year-on-year growth of 7.9%. This growth was supported by improved affordability following the GST rate reduction, enhanced consumer purchasing power from personal income-tax relief, and lower financing costs due to successive repo-rate cuts by the Reserve Bank of India. Commercial vehicles also recorded strong growth, with domestic sales increasing to 1.08 million units in FY 2025-26, up 12.6% year-on-year, according to SIAM. Growth was aided by improved freight rates and the GST rate reduction, which improved vehicle affordability and supported replacement demand. Tractor demand also strengthened significantly, with domestic industry volumes crossing the one-million-unit mark for the first time, aided by GST-led affordability benefits, favourable monsoon conditions and improved rural sentiment.

Overall, the global light vehicle industry showed resilience in CY 2025, supported by strong NEV growth in China, resilient consumer demand in the US, continued powertrain transition in Europe, and a policy-led demand revival in India. However, the outlook for CY 2026 remains cautious, as affordability pressures, tariff uncertainty and US-Iran tensions around the Strait of Hormuz could weigh on demand and cost stability.

COMPANY OVERVIEW

Sona BLW Precision Forgings Limited (Sona Comstar) is one of the world's leading mobility technology companies. It designs, manufactures, and supplies highly engineered, mission-critical, high-quality, complex, and bespoke systems and components for global OEMs in electric, personalised, intelligent and connected mobility.

It was incorporated in 1995 as Sona Okegawa Precision Forgings, a joint venture (JV) between Sona Group and Mitsubishi Materials. It pioneered the technology of precision-formed bevel gears in the Indian automotive market. Later, the Company acquired ThyssenKrupp's precision forging business, BLW, which was the inventor of this technology. In 2019, the Company acquired Comstar Automotive, which enhanced its motor capabilities and established a new brand identity: Sona Comstar. In 2023, it purchased a majority

stake in NOVELIC, adding expertise in radar sensing and perception. In 2025, Sona Comstar took another important step in broadening its focus beyond automotive by completing the acquisition of the Railway Business from Escorts Kubota Limited, marking its entry into the railway sector.

Headquartered in Gurugram, India, Sona Comstar is a leading supplier for the fast growing global EV market, with 35% of its automotive revenues from the EV market. It is also a global supplier with 12 manufacturing and assembly facilities across India, US, Mexico, and China, and 49% of its sales are for international markets. The Company has a diversified revenue base across geographies, products, vehicle segments, and customers.

With a robust emphasis on research and development across its five R&D centres, Sona Comstar develops advanced drivetrain systems and high-performance motors for electric mobility, mmWave (Millimeter-wave) radar sensors and perception solutions for autonomous and connected applications, and safety-critical solutions for railway applications. It aims to be at the forefront of shaping the next generation of mobility technology and providing sustainable solutions for customer's evolving needs. It aspires to become one of the world's most respected and valuable mobility technology companies for its customers, employees and shareholders.

BUSINESS PERFORMANCE

In FY 2025-26, the Company delivered a strong performance despite a volatile operating environment marked by tariff uncertainty, geopolitical developments, supply-chain challenges and changing customer demand patterns. Revenue grew 26% year-on-year, supported by the consolidation of the railway business, ramp-up of existing and new programmes, and growth in key product categories, including EV traction and suspension motors. EBITDA and PAT grew by 13% and 10% year-on-year respectively, reflecting disciplined execution despite inflationary and operating headwinds.

This consistent growth trajectory is a result of the Company's disciplined execution of its four strategic priorities: electrification, global market significance, diversification, and technology.

Electrification

FY 2025-26 was a challenging but resilient year for the Company's electrification business. BEV revenues were impacted in the first quarter by customer-specific demand weakness, China's rare-earth magnet export controls, supply-incoterm changes and tariff uncertainty. However, performance recovered steadily, with the fourth quarter becoming the Company's best-ever quarter for BEV revenue and BEV revenue share. For the full year, BEV revenue share stood at 35% of automotive product revenue, nearly similar to 36% in FY 2024-25.

During the year, the Company won nine EV programmes and added three customers, taking the total number of EV programmes to 67 across 35 customers. Among our most notable programme wins were an INR 15.5 billion order to supply differential assemblies with final drive gear for a new electric passenger vehicle platform of a traditional North American OEM, and two nominations worth INR 8.2 billion for integrated motor controller modules for active suspension systems from an Asian EV OEM and a European luxury performance OEM.

The other programme wins were spread across diverse customers, geographies and applications, including traction motors for an Indian electric three-wheeler, the first order for the Company's Mexico driveline plant for a North American recreational off-highway vehicle OEM, differential gears and assemblies for European OEMs across BEV platforms, and EV differential assemblies for Indian and European OEMs. The Company also secured a programme for a hybrid platform, reinforcing its view that hybrid vehicles also represent an opportunity for its product portfolio.

Global market significance

The Company continued to maintain its position as one of the world's leading suppliers of precision driveline systems, with global market share largely stable at 8.7% in differential gears and 4.2% in starter motors in CY 2025 compared to the previous calendar year. The marginal movement in market share was largely mix-driven, as incremental light vehicle production growth was disproportionately led by China; excluding China, the Company gained market share in differential gears. During FY 2025-26, it secured orders worth INR 57 billion, taking its net order book to INR 237 billion or approximately USD 2.5 billion, with around 70% contribution from EV programmes, reflecting its continued relevance in the global powertrain transition. (Net order book means the aggregate revenue from awarded programmes, which are either yet to start production or fully ramp up in the next 10 years, after adjusting for the negative impact of all programmes expected to reach the end of life or be phased out. We have also applied a discount to accommodate any unforeseen delays or changes in programme launches that may happen in the future. Net order book includes Railway business order book, which is based on the purchase orders received from the customers to be executed largely within next 12 months)

Diversification

Diversification remained a core pillar of the Company's strategy, and FY 2025-26 marked tangible progress across geographies, products and market segments. In terms of geography, India became the largest end market, contributing 51% of revenue compared with 29% in FY 2024-25, while Eastern markets such as India and China put together contributed 56% of revenue compared to 35% last year. For

the first-time since listing, Eastern markets accounted for the majority of the revenue, reflecting progress under our 'Look East' strategy. In terms of products also, we were able to achieve significant diversification. In the previous year, the top four products contributed 86% of revenue, whereas in FY 2025-26, the same revenue share was spread across the top eight products, effectively doubling the number of meaningful revenue contributors. In terms of market segments, the share of non-automotive revenue also increased from 9% to 31%, supported by the railway business acquisition and growth in off-highway applications. In terms of powertrain, our automotive revenue mix remained largely similar to that of the previous year. Together, these developments show that the Company's revenue base is becoming broader, more balanced and less dependent on any single geography, product, customer or end market.

Technology

Technology and new product development remained central to the Company's growth strategy. During the year, the acquisition of the Railway Business expanded the Company's product portfolio to include railway brake systems, dampers, couplers and friction products.

Further during the year, the Company also commercialised three products: hydraulic motor controller, railway HVAC systems and railway electric panels. Hydraulic motor controller was developed leveraging our strengths in motors and controllers to develop the solution for a new application outside the current product portfolio.

Building further on the product portfolio of the Railway Business, it received approvals to supply HVAC systems and electric panels in FY 2025-26. These developments expanded the Company's railway product offering beyond safety-critical brake systems and couplers to include products that enhance passenger comfort.

The Company also expanded its technology roadmap into emerging mobility applications. During the year, it collaborated with Neura Robotics to jointly develop advanced components and technologies for robots, cobots and humanoids in India and other markets. This is aligned with the Company's ambition to evolve from automotive technology to mobility technology. Across cars, trains, drones, robots, eVTOLs, AGVs and humanoids, the underlying engineering requirements remain motion, actuation, control and power transmission — areas where Sona Comstar has built deep capabilities over many years. This roadmap reflects the Company's evolution from components to sub-systems and systems, enabling it to deliver greater value to customers across the evolving E.P.I.C. mobility ecosystem.

OPPORTUNITIES

As Sona Comstar continues its journey to enable E.P.I.C. mobility through innovative products and technologies, the Company remains focussed on identifying and capitalising on emerging growth opportunities by leveraging its core strengths in precision engineering, drivetrain systems, motors, sensors, controllers and embedded technologies.

Over the past decade, the Company's growth has been primarily driven by the introduction of new product verticals in the automotive sector, particularly in the electrification domain, such as final drive differential assemblies, traction motors and suspension motors, as well as by expanding its footprint in key Western markets, including North America and Europe.

Looking ahead, the Company sees significant opportunity in three key areas: adding intelligent and connected solutions to the product portfolio, expanding into new mobility segments, and broadening its global presence across both Western and Eastern markets. The objective is to build a more diversified, technology-led and resilient mobility business.

New product verticals in mobility

Technological advancements and evolving consumer preferences are reshaping the mobility landscape. While the global light vehicle market has recovered from the sharp decline seen during the pandemic, it is yet to recover to its historical peak of 95 million annual vehicle sales recorded in CY 2017. While the market has shown signs of recovery since the sharp decline in the pandemic year (CY 2020), long-term growth remains constrained by shifting consumer attitudes towards vehicle ownership and a global emphasis on sustainable transportation. In response, Sona Comstar has adopted a strategy focussed on increasing value per vehicle by expanding its focused portfolio and addressing more systems across the mobility value chain.

The Company has continued to develop and commercialise products such as final drive differential assemblies, EV transmission gears, traction motors, motor controllers, suspension motors and in-cabin sensing solutions. It is also expanding its technology roadmap into products and systems that can serve both automotive and non-automotive mobility applications.

Beyond the automotive sector, the Company sees attractive long-term opportunities in railways, drones, electric vertical take-off and landing aircraft (eVTOLs), automated guided vehicles (AGV), autonomous mobile robots (AMRs), industrial robots and humanoid robots. Most of the emerging segments are aligned with Sona Comstar's existing capabilities in gears, motors, controllers, sensors, embedded hardware and software.

Railways represent one of the cleanest and most efficient modes of mass transportation. During the year, Sona Comstar entered the railway segment through the acquisition of the railway business from Escorts Kubota Limited. This acquisition provides the Company with a platform to participate in a large and growing mobility segment, while also expanding its product portfolio beyond automotive. The Indian Railway is the third largest railway system globally. As per Invest India, the railway sector in India is projected to experience a 29% increase in passenger traffic from CY 2021 to CY 2031 and a 25% rise in rolling stock demand between CY 2026 and CY 2031.

The acquired railway business gives Sona Comstar a strong starting position in railway braking systems in India. There are still ample opportunities to expand across rolling stock categories where the Company does not have a strong presence, including locomotives and high-speed platforms like Amrit Bharat, Vande Bharat and Metro. The Company also intends to expand into new railway product verticals such as HVAC systems, electric control panels, air springs and automatic plug door systems. These opportunities provide a long-term growth runway and support the Company's strategy of diversifying into mobility segments going beyond traditional automotive.

The eVTOL market has gained considerable momentum in recent years. Bain & Company projects that by 2035, small eVTOL aircraft will be used for passenger and cargo transport across urban and remote regions, with the global fleet expected to reach 12,000 units by 2035 and 45,000 by 2040 [Source: Advanced Air Mobility: What Electric Air Taxis Need to Take Off – Bain & Company, 2024]. Sona Comstar has an MoU with The ePlane Company to collaborate on the development of powertrain for eVTOL and drones and is actively working on the development of some of the components.

The advancement in industrial automation is driving global demand for different forms of robotics such as industrial robotics, AGVs, AMRs, and humanoid robots. According to World Robotics 2025 Report of International Federation of Robotics (IFR), 542,000 industrial robots were installed in CY 2024, more than double the number 10 years ago and topped 500,000 units for the fourth year in a row. IFR expects annual installations of industrial robots to exceed the 700,000 units mark by CY 2028.

According to CNMRA, AGV and AMR markets have grown at 26.4% compound annual growth rate between CY 2020 and CY 2025 and are anticipated to post compound annual growth rates of 20.3% till CY 2030. Sona Comstar has commenced technology development initiatives to address these emerging segments. Humanoid robots also present a compelling opportunity, driven by advancements in artificial intelligence, 3D perception, and control technologies. As per Counterpoint research, global humanoid installations reach 16,000 units in 2025. According to Bank of America, the humanoid robot market is expected to reach annual sales of 10 million units by

CY 2035 [Source: Who Makes the Humanoid Robot? – BofA Global Research, 2025].

With its robust capabilities in gears, motors, controllers, and embedded hardware and software, Sona Comstar is well-positioned to target all these robotics segments.

Geographical diversification and supply chain realignment

The global mobility supply chain is seeing signs of structural realignment. Geopolitical uncertainty, tariff actions and concentration risks are encouraging OEMs and Tier-1 suppliers to build more resilient and diversified supply chains. India is increasingly emerging as a credible manufacturing and export hub for precision-engineered products, supported by its engineering talent, cost-competitiveness and improving supplier ecosystem. For Sona Comstar, this creates an opportunity to further strengthen its position as a reliable, globally competitive supplier to customers across Western markets such as North America and Europe.

At the same time, Eastern markets such as India and the rest of Asia are becoming increasingly relevant for vehicle production, electrification and mobility innovation. In addition to EVs, Eastern markets also hold significant positions in other mobility domains, including railways, industrial robots, and humanoid robots. For instance, a Morgan Stanley report indicates that 77% of humanoid robot integrators are based in Asia [Source: The Humanoid 100: Mapping the Humanoid Robot Value Chain – Morgan Stanley, 2025]. While continuing to strengthen its market share in Western regions, Sona Comstar is intensifying its focus on Eastern markets to tap into both automotive and non-automotive mobility opportunities.

The opportunity ahead is to participate in global supply chain realignment while also deepening the Company's presence in higher growth Eastern markets.

Emerging mobility trends – Electric, intelligent and connected

Despite near-term uncertainties in the global automotive industry, the long-term direction of mobility continues to move towards electrification, intelligence and connectivity. According to the IEA's Global EV Outlook 2026, global electric car sales, including battery electric vehicles and plug-in hybrid electric vehicles, exceeded 20 million units in CY 2025, an increase of more than 20% over the previous year. The share of electric cars in total vehicle sales increased from 20% in CY 2024 to 25% in CY 2025. China led the market with a 63% share, followed by Europe and the US. Under the IEA's Stated Policies Scenario (STEPS), electric vehicles are projected to constitute 53% of global car sales by CY 2035.

Sona Comstar has aligned its product and technology roadmap with this transition over the past decade. The Company's portfolio in differential assemblies, EV transmission gears, traction motors, and motor controllers is well aligned with the increasing electrification of powertrains. As electrification continues to expand across vehicle segments and

geographies, the Company believes there will be increasing opportunities to grow content per vehicle and participate in new programmes across global customers.

At the same time, mobility is becoming more intelligent. Vehicle architectures are evolving from distributed electronic control units towards more centralised CPUs and software-defined platforms. This is increasing the role of sensors, controllers, embedded software and advanced electronics in the vehicle. Assisted and autonomous driving technologies are also expected to increase the sensing and computing content in future vehicles. According to Goldman Sachs, by 2030, Level 3 autonomous vehicles, capable of hands-free, eyes-off driving in specific conditions, could account for up to 10% of global new car sales, while Level 4 and above fully autonomous vehicles may represent 2.5% of total sales [Source: Partially autonomous cars forecast to comprise 10% of new vehicle sales by 2030 – Goldman Sachs, 2024].

This transition is closely aligned with Sona Comstar's expanding technology roadmap. Through NOVELIC's sensing and perception technologies, the Company is building capabilities in in-cabin and short range radar sensors. These technologies can support OEMs in meeting evolving safety and ADAS requirements, including those emerging for commercial vehicles in India.

Connectivity is another important pillar of next-generation mobility. Vehicles are increasingly expected to communicate with users, infrastructure, networks and other vehicles. Vehicle-to-Everything (V2X) communication, including Vehicle-to-Customer (V2C), Vehicle-to-Vehicle (V2V), and Vehicle-to-Infrastructure (V2I), is expected to enhance safety, diagnostics, and efficiency, paving the way for smart cities. A McKinsey mobility survey found that 69% of respondents wanted more connectivity services in their next vehicle, highlighting the growing importance of connected features in mobility [Source: Spotlight on Mobility Trends – McKinsey, 2024], while BCG projects that by 2035, connectivity will be embedded in 100% of new vehicle sales [Source: What Will AI Do for Mobility? – BCG, 2024].

THREATS, CONCERNS, AND RISKS

Sona Comstar has a robust framework for anticipating, monitoring, and mitigating risks. The Company's systems, processes, standards, code of conduct, organisational structure and review mechanisms enable it to operate with resilience and agility in an increasingly uncertain external environment.

The Company's business is subject to certain risks and uncertainties arising from the following key factors:

Geopolitical uncertainty

The Company's performance is closely linked to the global automotive sector, including key markets such as North America, Europe, India, and Asia (excluding India). With operations spanning multiple countries, the Company is exposed to changes in legal, regulatory, tariff and trade environments. Geopolitical tensions, tariff actions or other protectionist policies, logistics disruptions or changes in cross-border trade rules could adversely affect customer demand, supply chains, costs and overall business performance.

Supply chain changes and material availability

The automotive and mobility supply chain remains vulnerable to disruptions arising from geopolitical actions, logistics bottlenecks and sudden changes in demand. Availability of critical inputs, including energy supplies, rare-earth materials, electronic components and specialised raw materials, can affect production schedules and customer deliveries. While the Company continues to strengthen supplier diversification, improve inventory planning, and increase localisation of critical components, prolonged supply disruptions could impact operations.

Volatility in raw material prices

Fluctuations in commodity prices can significantly affect the Company's manufacturing costs. While mechanisms are in place to monitor and manage market risks, it is not always possible to fully predict, hedge, or offset the impact of price volatility through cost pass-throughs or operational efficiencies to eliminate the impact on the Company's overall profitability.

Pandemic and similar disruptions

The COVID-19 pandemic showed the potential of global crises to disrupt business operations. Such events can lead to economic downturns and curtailment of business activities. There remains a possibility that this crisis or a similar public health threat could substantially affect the Company's financial condition and operations.

Change in regulations and industry trends

The automotive and mobility industry is subject to stringent environmental and regulatory standards. Any adverse changes in these regulations, or their impact on the Company's customers, could affect business performance. Additionally, the ongoing transition from internal combustion engine (ICE)-based vehicles to electrified alternatives poses a risk to the Company's ICE-dependent product lines.

Risk Mitigation and Internal Controls

The Company believes that effective risk management is essential to achieving its strategic objectives. A multi-tiered risk management framework is in place, supported by regularly tested internal control systems that ensure design integrity, implementation effectiveness, and operational reliability. This framework enables the Company to manage and report on both existing and emerging risks proactively.

Resilience

FY 2025-26 tested the resilience of Sona Comstar. The Company faced rare-earth magnet supply disruptions, tariff and trade uncertainty, customer-specific volatility, inflationary pressures on raw materials and continued stress across global supply chains. These challenges affected demand visibility, production planning and customer behaviour across markets.

The rare-earth magnet supply disruption was one of the defining challenges of the year. Export control on heavy rare earth magnets by China created uncertainty across the EV supply chain and had the potential to affect traction motor production. Sona Comstar responded with agility. Its engineering and operations teams worked closely with customers and suppliers to redesign motor architectures within four weeks and ensured customer schedules were not impacted.

At the same time, tariff and trade tensions created stress across the world. OEMs and Tier-1 suppliers became more cautious on sourcing and regional exposure. However, this uncertainty also highlighted the need for reliable and globally competitive supply partners. During the year, Sona Comstar secured large orders from North America and multiple orders from traditional European OEMs, reflecting continued customer confidence even in a volatile environment.

The Company's performance through the year mirrored this adaptability. After one of the most difficult first quarters since listing, Sona Comstar recovered sharply and exited the year with its best-ever quarter. FY 2025-26, therefore, showed not only resilience, but anti-fragility — the ability to adapt, respond and emerge stronger from disruption. It reinforced the importance of diversification across customers, products, geographies and technologies, and reaffirmed the strength of the Company's engineering-led culture.

OUTLOOK

FY 2025-26 was a year of steady growth and strategic realignment for the global automotive industry. Vehicle demand remained broadly resilient, but growth was modest and varied significantly across regions. The industry continued to navigate affordability pressures, elevated interest rates, tariff and trade-related uncertainty, and geopolitical tensions across key markets. Supply chains continued to face pressure from critical material availability, including rare earths and electronic components. At the same time, the industry continued to move towards electrification, software-defined

vehicles, and connectivity and advanced driver assistance systems, reinforcing a long-term shift towards electric, intelligent and connected mobility.

According to S&P Global Mobility, global light vehicle sales are expected to decline 1.6% year-on-year in CY 2026. The moderation is expected to be driven by tariff-related cost pressures, high interest rates, affordability challenges, softer consumer sentiment, and subsidy cuts in the key markets of China and the US. Geopolitical tensions, including the West Asia conflict, could further weigh on the outlook by adding pressure on energy prices, logistics networks and global supply chains. As a result, the global automotive industry is expected to operate in a more challenging volume environment.

Growth across key markets is, however, expected to remain uneven. As per S&P Global Mobility, the two largest markets, China and the US, are expected to face near-term pressure, driven by the expiry of trade-in incentives in China and vehicle price inflation, along with the phase-out of EV subsidies in the US. In contrast, the next five largest light vehicle markets — India, Japan, Germany, Brazil and the UK — are expected to record growth. Among the top 25 light vehicle markets globally, India is expected to be the fastest-growing market.

Despite this more challenging outlook for global volumes, electrification is expected to continue gaining share within the global automotive industry. According to the IEA, global electric car sales are expected to grow 10% year-on-year to reach 23 million units in CY 2026, representing 28% of total car sales. Higher oil prices, lower running costs for EVs and continued policy support across several markets are expected to support EV adoption, even as policy changes in China and the US create near-term moderation. Europe is expected to see the strongest growth among major markets, with one in three cars sold projected to be electric, while China's EV share is expected to approach 60% of total car sales. Growth is also expected to remain strong in Asia Pacific markets outside China and in Latin America, reinforcing the long-term shift towards electrification.

India's railway sector is expected to see sustained growth across both freight wagons and passenger coaches. Freight wagon demand will be supported by continued infrastructure investments, including dedicated freight corridors, network electrification, port and industrial connectivity, and the government's focus on increasing the share of rail in freight movement. Passenger coach demand is expected to grow with rapid urbanisation, rising income levels and improving affordability of train travel. In addition, the modernisation of passenger trains is expanding the market for safer, faster and more comfortable rail mobility. Together, these trends create a favourable long-term opportunity for suppliers of railway systems and components, including wagons, coaches, brake systems, couplers, dampers and other critical railway products. The outlook for the sector remains positive for the coming year, supported by continued government investment.

The Union Budget 2026-27 allocated a record capital expenditure of INR 2,930 billion for the Indian Railways, an increase of 10.5% over the revised estimate for FY 2025-26. This reinforces the government's focus on strengthening the railway ecosystem in India. Sona Comstar has diversified its product portfolio to align with the long-term shift towards electric, intelligent and connected mobility. Its capabilities across differential assemblies, reduction gears, traction motors, motor controllers, suspension motors, sensors and embedded technologies position the Company to participate in both automotive and mobility opportunities.

In the EV sector, the long-term direction remains positive despite near-term regional variations. During 2025, OEMs and suppliers continued to focus on improving EV affordability, reducing system costs and developing more efficient component solutions. The Company is well-positioned to capitalise on this megatrend, supported by its robust capabilities in EV technologies.

The rise of autonomous vehicles is also driving demand for diverse sensor technologies and advanced perception software. These developments, along with increasing digitalisation and connectivity, are expected to deliver safer, cleaner, and more personalised mobility experiences. The Company is also building capabilities aligned with the

increasing intelligence and connectivity of vehicles. Through NOVELIC's sensing and perception capabilities, Sona Comstar is strengthening its position in in-cabin sensing and short-range radar applications, which are relevant for evolving safety and ADAS requirements.

The modernisation of the railways is also opening up opportunities for railway systems suppliers. As trains become faster, safer and more comfortable, the component and system content per coach is increasing meaningfully. This is creating demand for advanced brakes, suspension systems, high-performance couplers, air springs, HVAC systems, electric panels, automatic doors and vacuum evacuation systems. This transition is expanding the addressable market for suppliers.

To support these opportunities, the Company continues to invest in research and development, engineering capability and technology partnerships. Its growth strategy remains anchored in four priorities: electrification, global market significance, diversification and technology.

Looking ahead, Sona Comstar will continue to build a more diversified and technology-led mobility business. The Company believes this focus will help it navigate industry volatility and create long-term value for stakeholders.

FINANCIAL OVERVIEW

Consolidated income statement summary

Particulars (in INR million)	FY 2025-26	FY 2024-25	YoY Change (%)
Net Revenue from Operations ¹	44,495	35,460	25%
Total Expenditure	36,795	28,638	28%
EBITDA	11,069	9,753	13%
Other Income	970	1,269	-24%
Finance Cost	235	302	-22%
Depreciation	2,877	2,544	13%
Adjusted PBT ²	8,926	8,176	9%
PBT	8,416	7,983	5%
Tax	2,124	1,986	7%
PAT	6,402	6,012	6%
EPS (Diluted)	10.30	9.92	4%

¹Includes Foreign Exchange Gain (net).

²Adjusted PBT is PBT plus exceptional expense or minus exceptional income.

Revenue from Operations:

The consolidated revenue in FY 2025-26 grew 26% over FY 2024-25. The growth in consolidated revenues was primarily driven by ramp-up of sales volume for electric vehicle (EV) programmes in European and Indian markets along with consolidation of the railway business. Despite weakness in our anchor EV customer and a 16% decline in US BEV industry sales for FY 2025-26, our BEV revenues fell only by 5.6% year-on-year, reflecting greater diversification across customers, programmes, products and geographies.

Expenditure

The total expenditure registered a year-on-year increase of 28% at INR 36,795 million in FY 2025-26 compared to 28,638 million during FY 2024-25.

Expenditure breakup (INR million)	FY 2025-26	% of Total Income	FY 2024-25	% of Total Income	YoY Change (%)
Material Cost ¹	20,968	47%	15,447	43%	36%
Employee Cost	4,342	10%	3,150	9%	38%
Finance Cost	235	1%	302	1%	-22%
Depreciation	2,877	6%	2,544	7%	13%
Other Expenses	8,373	19%	7,195	20%	16%
Total Expenses	36,795	82%	28,638	81%	28%

¹Material cost includes the cost of materials consumed and changes in inventories of finished goods and work-in-progress.

Material cost

The cost of materials consumed primarily includes the cost of raw materials, such as special steel alloy bars, iron castings, steel blanks and bolts, for the manufacturing of differential gears, differential assemblies and steel forgings. It includes cost of copper enamelled wires, machined aluminium pressure die castings, bearings, magnets, plastic moulded components and other proprietary parts for manufacturing starter motors and traction motors. For railways business, the cost of raw materials includes iron castings, aluminium castings, cables, elastomeric pads, reservoirs, anti-skid device, speed sensors and other proprietary parts for manufacturing braking system, couplers, suspension products, friction products and heating elements. Material cost accounted for 47% and 43% of the total income for FY 2025-26 and FY 2024-25, respectively. Material cost increased as a percent of total income primarily due to change in product mix.

Employee benefit expenses

Employee benefit expenses primarily include salaries, wages, bonus paid to employees and employee welfare expenses. It increased by 38% to INR 4,342 million in FY 2025-26 from INR 3,150 million in FY 2024-25, mainly due to the consolidation of the railways business, higher employee count to support the increased scale of operations, and annual salary increments.

Finance costs

Finance costs decreased by 22% to INR 235 million in FY 2025-26 from INR 302 million in FY 2024-25. The decline is primarily because of certain loans availed during the middle of FY 2024-25.

Depreciation and amortisation expense

Depreciation and amortisation expense increased by 13% to INR 2,877 million in FY 2025-26 from INR 2,544 million in FY 2024-25. The increase was primarily due to the consolidation of the railways business, amortisation of intangible assets recognised pursuant to the acquisition, and additions to property, plant and equipment during the year. This increase was partly offset by a reduction of INR 329

million in depreciation charge during the year, arising from the reassessment of useful lives of certain assets.

Other expenses

Other expenses primarily comprise manufacturing, administrative, selling and distribution expenses.

Manufacturing expenses mainly consist of expenses in relation to sub-contracting costs, stores and spares consumed, power and fuel, repairs and maintenance towards plant and machinery, and manpower hiring on contract.

Administrative expenses mainly consist of legal and professional charges, travelling, conveyance and vehicle expenses, insurance, repair and maintenance.

Selling and distribution expenses mainly comprise freight, clearing and forwarding charges, and consumption of packing material.

Other expenses decreased to 19% of the total income in FY 2025-26 from 20% of the total income in FY 2024-25. This decrease was primarily due to a change in product mix and operational efficiency gains.

Exceptional items

Exceptional items increased to INR 510 million in FY 2025-26, compared to INR 193 million in FY 2024-25. This was mainly due to a one-time impact of INR 401 million arising from the new labour code. The remaining amount primarily represents costs incurred in relation to various acquisition opportunities.

Tax expense

Our tax expense was INR 2,124 million (ETR 25.2%) in FY 2025-26, compared to INR 1,986 million (ETR 24.9%) in FY 2024-25.

EBITDA, PBT and PAT

As a result, EBITDA for FY 2025-26 increased to INR 11,069 million from INR 9,753 million in FY 2024-25 and Adjusted PBT for FY 2025-26 increased to INR 8,926 million from INR 8,176

million in FY 2024-25. PAT for FY 2025-26 increased to INR 6,412 million from INR 6,012 million in FY 2024-25.

The table below reflects the cash and debt position of the Company.

Description – Borrowings (INR million)	As on Mar 2026	As on Mar 2025
Long-term Borrowing	84	80
Short-term Borrowing	2,343	55
Total Debt	2,427	135
Cash & Cash Equivalent and Other Bank Balances	3,484	13,016
Current Investment	4,999	8,185
Fixed Deposits (part of other financial assets)	3,806.43	5,525
Net Debt/(Cash)	-10,262	-26,591

Net Cash decreased due to acquisition of Railway Equipment Division from Escorts Kubota Limited for INR 16,426.32 million during the year.

Key financial ratios:

The key financial ratios of the company are given as below:

Key Financial Ratios	FY 2025-26	FY 2024-25
Operating Profit/EBITDA Margin (%)	24.7%	27.4%
Net Profit/PAT Margin (%)	14.1%	16.9%
Net Debt to Equity ¹	-17.2%	-48.4%
Net Debt to EBITDA ¹	-92.7%	-272.6%
Return on Equity (%) ¹	13.2%	17.7%
Return on Capital Employed (%) ¹	15.4%	18.4%
Working Capital Turnover	3.8	5.0
Current Ratio ¹	3.4	6.9
Receivables Turnover	4.8	5.2
Inventory Turnover	9.2	10.2
Interest Coverage Ratio	36.8	27.5

Basis of calculation of the ratios

- Net Debt to Equity is calculated as short-term and long-term debt less cash, bank balances and mutual fund investments / Equity
- Net Debt to EBITDA is calculated as short-term and long-term debt less Cash and bank balances and mutual fund investments/ EBITDA
- ROE (%) is calculated as PAT/ Average tangible net worth
- ROCE (%) is calculated as EBIT/ Average tangible capital employed
- Working Capital Turnover calculated as Revenue / Average net working capital
- Current Ratio is calculated as Current Asset / Current Liabilities
- Receivables Turnover is calculated as Revenue from Operations / Average Receivables
- Inventory Turnover is calculated as Revenue from Operations / Average Inventory

- Interest Coverage Ratio is calculated as EBIT / Interest Expense

SUSTAINABILITY

Sona Comstar remains deeply committed to sustainable practices, strong corporate governance, and social responsibility. In FY 2025-26, the Company published its fourth sustainability report, outlining ambitious environmental, social, and governance (ESG) targets. These targets span energy and emissions management, water conservation, waste reduction, air quality improvement, afforestation, employee health and safety, women's empowerment, community development, and governance excellence.

The Company recognises the importance of addressing climate change and is actively working to reduce its environmental footprint. Its commitment to diversity, equity, and inclusion is unwavering, and it continues to uphold the highest standards of governance. Sona Comstar has been rated in the Strong category by CRISIL ESG Ratings, with an ESG score of 62. CRISIL's framework assesses companies on a 0–100 scale, using more than 500 ESG indicators across environmental, social and governance parameters. The score

places Sona Comstar among the leading ESG performers in India's automotive ecosystem. The Company ranked 2nd among 56 listed auto component companies assessed by CRISIL and 6th among 69 listed companies across the broader auto and auto component sector. Sona Comstar has also been placed in the category of 'Very Good' with an overall ESG score of 79 out of 100, by CFC Finlease Private Limited, an ESG rating provider. This reflects Sona Comstar's continued focus on responsible growth, strong governance and environmental stewardship.

Environmental stewardship

A key pillar of the Company's environmental strategy is the development of advanced products for electric mobility, with a target of achieving 45% of revenue from EV-focused products. In FY 2025-26, the Company achieved strong results by improving its energy intensity by 14%, emission intensity by 15% and water intensity by strongly 25% as compared to the previous year. Our onsite rooftop solar arrays generated 16,847 GJ in FY 2025-26, covering roughly 4% of our total consumption. Beyond our immediate footprint, we have secured partnerships with CleanMax for captive solar projects in Haryana (14.85 MWp) and Maharashtra (4.00 MWp), while also progressing with the setup of 2.5 MWp group captive facility at our Chennai plant with CleanTech.

During the year, Sona Comstar continued its partnership with CATCH Foundation under the Swachh Bharat Programme to restore green cover through the Miyawaki afforestation technique. The initiative involved planting over 23,000 native and bamboo saplings in Manesar, supported by soil restoration, drip irrigation and long-term maintenance systems. Designed to improve biodiversity, restore ecological balance and strengthen climate resilience, the project has begun transforming barren land into a thriving green space, with visible improvement in vegetation cover and early signs of ecological recovery.

Through innovative technologies and continuous monitoring, the Company is actively working to lower carbon footprint, contributing to global climate change efforts while ensuring a sustainable future.

Social impact

The Company places its people at the centre of its success. It fosters a safe, inclusive, and empowering workplace where employees can realise their full potential.

The Company promotes workforce diversity across gender, age, region, and background. As of the end of FY 2025-26, it employed over 6,000 individuals, with more than 6% representation of women. Continuous learning is a core value, for which, the Company continuously trains its employees to enhance their technical, compliance, and behavioural competencies.

Beyond its workforce, Sona Comstar is committed to uplifting communities through its CSR initiatives. In partnership with FITT, IIT Delhi, the Company committed INR 80 million to support 17 early-stage mobility-tech startups, helping develop market-ready solutions across motors, batteries, hydrogen, and EV charging. To strengthen better learning environment, in Nuh, the Company upgraded two schools serving around 1,500 students with RO water systems, solar power with UPS backup, science labs, and digital connectivity. The Company also supported 666 students through remedial education, enabled 100 students to re-enter education through NIOS pathways, and maintained 10 government schools covering 6,670 students in Tamil Nadu. Additionally, we supported women's education through a scholarship program with Ashoka University where we supported women scholars from financially constrained backgrounds with 80–100% financial aid.

Governance excellence

Sona Comstar is committed to maintaining the highest standards of corporate governance, which it views as the foundation of a sustainable and resilient organisation. The Company has also set its Governance Goals with the United Nation Sustainable Development Goals (UN SDGs). The Company has also conducted training and orientation sessions for its employees and directors on ethical issues e.g. anti-bribery and corruption, anti-money laundering and trade sanctions by domestic and international reputed law firms/counsels. During the year the Company has implemented mandatory e-module training on the Code of Conduct and Prevention of Sexual Harassment, Prohibition of Insider Trading, Competition/Anti-Trust Law and Health & Safety, for the employees of the Company followed by an assessment test. The detailed Corporate Governance Report is attached to this Board Report as Annexure-A.