

Automobiles & Components

India

Sector View: **Cautious**

NIFTY-50: **22,904**

April 07, 2025

Tariff-led turbulence ahead

The recent tariffs are set to raise the landed costs, pressuring margins across global auto suppliers. The competitive intensity may increase, as global peers with US plants gain an edge, especially for Sona Comstar. Demand slowdown in US autos may indirectly weigh on SAMIL, BHFC and SONACOMS. Sona Comstar faces added pressure from a weakening EV outlook and customer concentration risk. Overall, we believe that near-term headwinds remain across cost, pricing and demand dynamics, leading to rating downgrades.

Global suppliers to face multiple challenges in the near term

The imposition of 25% tariffs on auto parts and 26% reciprocal tariffs will weigh on global auto ancillary suppliers. First, the 25% tariff will raise the landed cost, forcing the suppliers to partly absorb the hike, putting pressure on margins. Second, competition may intensify as several global peers with manufacturing bases in the US gain cost and logistical advantages, increasing the risk of share loss over time. Last, the tariffs will most likely drive up vehicle prices, potentially leading to a slowdown in US auto demand, which could create a cascading effect through global supply chains.

SAMIL: Slowdown in global automotive market remains the key risk

The company derives ~20% of its revenues from the US market. The 25% tariff is expected to increase vehicle prices, reducing consumer demand and leading to a downturn in the US automotive market. This could indirectly impact SAMIL's performance. In addition, these tariffs may disrupt global supply chains, leading to increased manufacturing costs and near-term margin pressures for SAMIL. Downgrade to REDUCE with a revised FV of Rs120.

Bharat Forge: Rising tariffs and weak-end market demand pose threat

The company faces near-term headwinds, as recently imposed auto parts and reciprocal tariffs may raise the pricing pressure across key export segments. While its cost-efficient operations limit the risk of immediate market share loss, competitive intensity from players such as American Axle and Thyssenkrupp needs to be monitored. Demand moderation across key end-markets in the US (Class 8 trucks, PV and O&G) could put pressure on revenues, while rising cost pressures and underutilized overseas capacities could weigh on margins. The recently announced ATAG order was baked in our expectations, which will start contributing from FY2027. Retain SELL with a revised FV of Rs850.

Sona Comstar: Margin risk and EV headwinds cloud near-term outlook

Challenges for the company have further aggravated in the near term due to the elevated cost structure from US tariffs, which may weigh on margins if partly absorbed to stay competitive. Despite efficient India-based manufacturing, competition from US-based peers could impact pricing power. In addition, the EV segment outlook remains weak amid policy uncertainty, slowing demand and the underperformance of its key customer due to competitive intensity, which should weigh on growth prospects. Downgrade to REDUCE with a revised FV of Rs430.

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Bharat Forge: Key financial data and valuation summary

Stock data				Forecasts/valuations	2025	2026E	2027E
CMP(Rs)/FV(Rs)/Rating		1,026/850/SELL		EPS (Rs)	22.4	28.6	36.3
52-week range (Rs) (high-low)		1,826-1,002		EPS growth (%)	13.4	27.8	26.8
Mcap (bn) (Rs/US\$)		491/5.8		P/E (X)	45.9	35.9	28.3
ADTV-3M (mn) (Rs/US\$)		1,421/17		P/B (X)	5.2	4.7	4.2
Shareholding pattern (%)				EV/EBITDA (X)	19.4	18.8	16.0
Promoters		44.1		RoE (%)	12.9	13.8	15.7
FPIs/MFs/BFIs		17.9/18.9/7.4		Div. yield (%)	0.7	0.7	0.8
Price performance (%)	1M	3M	12M	Sales (Rs bn)	150	156	171
Absolute	0.3	(20.8)	(10.9)	EBITDA (Rs bn)	27	28	33
Rel. to BSE-30	(3.4)	(16.3)	(12.6)	Net profits (Rs bn)	11	14	17

Samvardhana Motherson: Key financial data and valuation summary

Stock data				Forecasts/valuations	2025	2026E	2027E			
CMP(Rs)/FV(Rs)/Rating		119/120/REDUCE		EPS (Rs)	5.3	5.6	6.9			
52-week range (Rs) (high-low)		217-116		EPS growth (%)	25.4	5.6	22.5			
Mcap (bn) (Rs/US\$)		837/9.9		P/E (X)	22.2	21.1	17.2			
ADTV-3M (mn) (Rs/US\$)		2,212/26		P/B (X)	2.4	2.2	2.0			
Shareholding pattern (%)				EV/EBITDA (X)	8.8	8.7	7.6			
Promoters		58.1		RoE (%)	12.5	11.1	12.3			
FPIs/MFs/BFIs		14.3/14.8/3.3		Div. yield (%)	0.7	0.8	0.9			
Price performance (%)	1M	3M	12M	Sales (Rs bn)	1,130	1,178	1,271			
Absolute				0.6	(25.7)	(0.6)	EBITDA (Rs bn)	107	104	114
Rel. to BSE-30				(3.2)	(21.1)	(2.3)	Net profits (Rs bn)	38	40	49

Sona BLW Precision: Key financial data and valuation summary

Stock data				Forecasts/valuations	2025	2026E	2027E
CMP(Rs)/FV(Rs)/Rating		422/430/REDUCE		EPS (Rs)	9.6	11.8	13.8
52-week range (Rs) (high-low)		769-414		EPS growth (%)	8.0	23.4	16.8
Mcap (bn) (Rs/US\$)		263/3.1		P/E (X)	44.1	35.7	30.5
ADTV-3M (mn) (Rs/US\$)		1,162/14		P/B (X)	4.6	4.2	3.7
Shareholding pattern (%)				EV/EBITDA (X)	24.2	21.4	18.1
Promoters		28.0		RoE (%)	14.2	12.2	12.9
FPIs/MFs/BFIs		33.2/24.9/5.2		Div. yield (%)	0.5	0.6	0.7
Price performance (%)	1M	3M	12M	Sales (Rs bn)	35	41	47
Absolute	(11.0)	(28.6)	(36.4)	EBITDA (Rs bn)	10	11	13
Rel. to BSE-30	(14.8)	(24.0)	(38.1)	Net profits (Rs bn)	6	7	9

Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Prices as of April 04, 2025

Samvardhana Motherson: Industry slowdown may weigh on growth prospects

Samvardhana Motherson has established itself as global automotive component manufacturer, operating over 400 facilities across >40 countries. The company has employed a diversification strategy to mitigate risks. The company's key strategy of '3CX10' aims to ensure no single customer, component or country contributes more than 10% of the group's revenues. The imposition of a 25% tariff on imported automobile parts will have no direct impact on the company's growth or cost structure.

Limited direct impact on SAMIL; potential industry slowdown will impact the company's performance

The company derives ~20% of its revenues from the US. A significant portion of its products supplied to the US customers are either manufactured within the country or are compliant with USMCA, implying no tariffs on products manufactured by the company. However, the tariffs are likely to increase vehicle prices, potentially leading to reduced consumer demand and a potential decline in the US automotive market. Such a slowdown could have cascading effects on suppliers such as SAMIL, as lower production may reduce demand for auto components. Furthermore, the tariffs may disrupt global supply chains, which may lead to increased manufacturing costs. These inflationary pressures may impact margins in the near term. While the company has facilities in the US geography, the broader economic impact of the tariffs could still pose challenges.

Global automotive industry may also face disruption amid US tariffs and potential recession

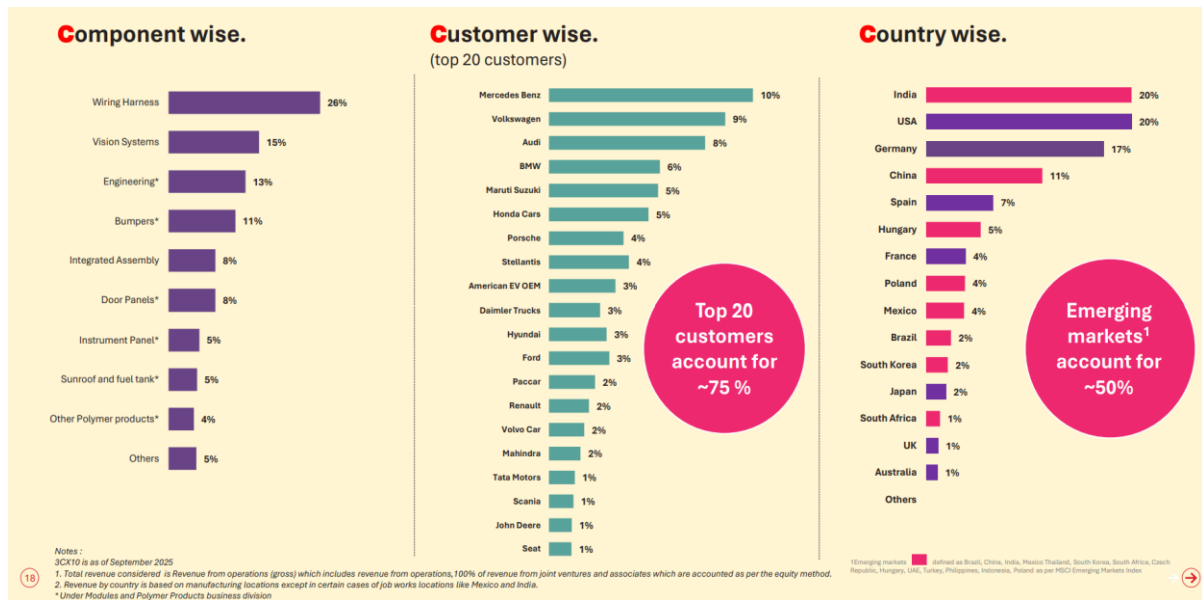
We believe the potential slowdown in the US economy can have a ripple impact in other countries, which may impact the global auto sales, as seen during the 2008 GFC. Global automakers, which are heavily reliant on the US market, may experience lower revenues, which may lead to cost-cutting measures. Further, economies closely tied to automotive exports to the US such as Germany might see significant economic impacts. Given the interconnected nature of the global economy, a downturn in the US auto sector could have cascading effect on global markets, affecting the overall car market demand. Given SAMIL's global exposure (~85% of its revenues comes from outside of India), a slowdown in global automotive industry can result downside to revenue and margin growth assumptions.

Cut our FY2026-27 consolidated EPS estimates by 4-6%; downgrade to REDUCE (from ADD)

We have cut our FY2026-27 EPS estimates by 4-6%, owing to lower revenue growth and EBITDA margin assumptions, as we believe that the tariff war will weigh on overall global automotive market as well as margins of the suppliers. As a result, we expect the near term to remain challenging for SAMIL, given the risk of recession in the US and its potential spillover to other markets. In the medium term, we believe the company will outperform the blended market growth, led by (1) a strong order book, (2) new product additions and a foray into newer markets, led by acquisitions, (3) a scale-up of the SAS business with insourcing of polymer-related products and (4) an increase in content as customers globally shift toward EV and growing premiumization trends across segments. It is also adding large capacities in the non-auto business (especially in the aerospace and consumer electronics businesses), which we believe will drive the next phase of growth. Valuations are fair at the current juncture. Downgrade to REDUCE (from ADD) with a revised FV of Rs120 (Rs140 earlier), based on the SoTP methodology.

The company derives around 20% of revenue mix from US

Exhibit 1: SAMIL country-wise mix, March fiscal year-ends, 2025 (%)



Source: Company, Kotak Institutional Equities

We have cut our EPS assumptions by 4-6% on lower revenue growth and EBITDA margin assumptions

Exhibit 2: SAMIL change in estimates, March fiscal year-ends, 2025-27E (Rs mn, %)

	New estimates			Old estimates			% change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Consolidated									
Net sales	1,129,860	1,178,322	1,271,290	1,129,860	1,179,660	1,248,373	-	(0.1)	1.8
EBITDA	106,567	104,186	113,763	106,567	109,409	119,082	-	(4.8)	(4.5)
Margin (%)	9.4	8.8	8.9	9.4	9.3	9.5			
Adjusted net profit	37,641	39,747	48,705	37,641	42,135	50,513	-	(5.7)	(3.6)
Adjusted consolidated EPS	5.3	5.6	6.9	5.3	6.0	7.2	-	(5.7)	(3.6)

Source: Company, Kotak Institutional Equities estimates

We value SAMIL at Rs120 per share

Exhibit 3 SAMIL SOTP, March fiscal year-ends, 2025E (Rs mn, Rs per share)

	(Rs mn)	Value per share	Valuation methodology
Standalone business enterprise value	108,613		DCF methodology
SMRPBV enterprise value	629,876		DCF methodology
Other business	60,195		8X March 2027E EBITDA
Consumer Electronic business	55,519		15X FY2029E EBITDA discounted back to March 2026
Atsumitech	14,826		5X FY2026E EBITDA
SAMIL business enterprise value	869,028		
Net debt adjusted for Atsumitech acquisition	105,715		
SAMIL business equity value	763,313	113	
SAMIL business equity value		8	Based on DCF methodology
Fair value		120	

Notes:

- (a) We have assigned 20% holding company discount while valuing the stake in Motherson Sumi Wiring India Limited.
 (b) SAMIL has 33% stake in Motherson Sumi Wiring India Limited

Source: Company, Kotak Institutional Equities estimates

We expect SMRPBV group's EBITDA to grow at 8% CAGR over FY2024-27E

Exhibit 4: Income statement of SMRPBV, March fiscal year-ends, 2018-27E (EUR mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Sales from operations	5,024	5,312	5,610	4,806	4,993	8,176	9,612	11,017	11,148	11,557
Other operating revenue	40	52	41	53	60	90	93	102	112	123
Net sales	5,065	5,364	5,651	4,859	5,053	8,266	9,704	11,119	11,260	11,680
Changes in inventories	(5)	(6)	(4)	(1)	(9)	(20)	16	0	0	0
Cost of raw materials	3,221	3,202	3,344	2,794	2,935	4,817	5,344	6,001	5,996	6,199
Staff costs	975	1,205	1,328	1,173	1,213	1,839	2,269	2,610	2,740	2,850
Other operating expenses	495	616	647	559	574	1,054	1,285	1,542	1,588	1,636
EBITDA	378	347	336	334	340	577	790	966	936	996
Depreciation	123	168	237	232	230	323	358	388	408	428
EBIT	255	179	99	102	110	254	432	578	528	568
Interest expense	59	38	65	50	43	74	2	168	148	138
Share of associates and JVs	13	7	3	5	9	9	9	10	10	10
Profit before tax	209	148	37	57	76	189	439	420	389	440
Income tax	(71)	(45)	(41)	26	(34)	(61)	(62)	(109)	(101)	(114)
Profit after tax	138	103	(4)	84	42	128	377	310	288	325
Minority share (China JV and Germany)	30	24	23	24	18	22	30	33	35	38
Equity holder share in net profit	109	78	(27)	59	24	106	346	278	253	287
Ratios (%)										
EBITDA Margin (%)	7.5	6.5	6.0	7.0	6.8	7.1	8.2	8.8	8.4	8.6
EBIT Margin (%)	5.1	3.4	1.8	2.1	2.2	3.1	4.5	5.2	4.7	4.9
Raw materials as % of sales	64.0	60.2	59.5	58.1	58.6	58.7	55.8	54.5	53.8	53.6
Employee costs as % of sales	19.4	22.7	23.7	24.4	24.3	22.5	23.6	23.7	24.6	24.7
Other expenses as % of sales	9.9	11.6	11.5	11.6	11.5	12.9	13.4	14.0	14.2	14.2
Interest cost as % of gross debt	6.3	3.8	5.7	4.8	4.5	7.0	0.2	10.7	10.1	9.4
Segmental										
Revenue (EUR mn)										
SMR	1,575	1,611	1,551	1,286	1,513	1,947	2,103	2,124	2,145	2,209
SMP	3,452	3,704	4,056	3,519	3,683	4,623	5,043	6,168	6,220	6,487
Integrated Assemblies	—	—	—	—	—	—	748	1,020	1,071	1,146
Wiring Harness	—	—	—	—	—	1,877	2,093	2,114	2,156	2,199
Others	—	—	—	—	—	48	56	58	60	63
Scherer and Tier	0	1	2	1	1	—	—	—	—	—
Unallocated	(2)	(4)	0	0	—	(28)	(77)	(85)	(93)	(103)
Less JVs	0	0	0	0	—	(290)	(353)	(381)	(412)	(445)
Eliminations	—	—	—	—	(205)	—	—	—	—	—
Total revenue	5,024	5,312	5,610	4,806	4,993	8,176	9,612	11,017	11,148	11,557
EBITDA (EUR mn)										
SMR	189	188	185	141	148	203	219	202	197	208
SMP	205	154	163	204	231	280	419	506	473	506
Integrated Assemblies	0	0	0	0	0	0	86	120	126	138
Wiring Harness	0	0	0	0	0	134	169	211	205	209
Others	0	0	0	0	0	(13)	(72)	(23)	(12)	(6)
Scherer and Tier	(16)	(12)	(12)	(10)	(11)	—	—	—	—	—
Unallocated	—	17	—	—	—	—	—	—	—	—
Less JVs	0	0	0	0	—	(28)	(31)	(50)	(54)	(58)
Eliminations	—	—	—	—	(28)	—	—	—	—	—
Total EBITDA	378	347	336	334	340	577	790	966	936	996
EBITDA margin (%)										
SMR	12.0	11.7	11.9	11.0	9.7	10.4	10.4	9.5	9.2	9.4
SMP	5.9	4.2	4.0	5.8	6.3	6.1	8.3	8.2	7.6	7.8
Integrated Assemblies	—	—	—	—	—	—	11.5	11.8	11.8	12.0
Wiring Harness	—	—	—	—	—	—	8.1	10.0	9.5	9.5
Others	—	—	—	—	—	—	(129.4)	(40.0)	(20.0)	(10.0)
Less JVs	—	—	—	—	—	—	8.9	13.0	13.0	13.0
EBITDA margin	7.5	6.5	6.0	7.0	6.8	7.1	8.2	8.8	8.4	8.6

Source: Company, Kotak Institutional Equities estimates

We expect SMP's EBITDA to remain decline in FY2026E

Exhibit 5: Breakdown of key consolidated financials by different entities, March fiscal year-ends, 2021-27E
(Rs mn, %)

	2023	2024	2025E	2026E	2027E
Revenues					
Standalone	79,727	90,460	99,044	107,308	116,273
SMRPBV	691,079	871,454	1,006,262	1,029,189	1,078,314
SMP	386,449	452,855	558,169	568,567	598,888
SMR	162,754	188,813	192,188	196,050	203,951
Integrated Assemblies		67,139	92,310	97,895	105,795
Global wiring harness business	156,931	187,948	191,307	197,084	203,036
Others	11,565	13,320	14,464	15,751	17,166
Less JVs	(26,622)	(38,620)	(42,175)	(46,159)	(50,522)
Others	41,093	60,005	64,805	86,101	125,406
Inter-company	(24,017)	(35,001)	(40,251)	(44,276)	(48,704)
Consolidated Net Revenues	787,881	986,917	1,129,860	1,178,322	1,271,290
EBITDA					
Standalone	9,216	11,384	11,146	12,631	14,286
SMRPBV	48,252	70,966	87,421	85,527	91,952
SMP	23,443	37,668	45,770	43,211	46,713
SMR	16,991	19,677	18,258	18,037	19,171
Integrated Assemblies		7,709	10,846	11,552	12,695
Global wiring harness business	11,200	15,207	19,131	18,723	19,288
Others	(1,084)	(6,472)	(2,097)	(1,102)	(579)
Less JVs	(2,299)	(2,821)	(4,486)	(4,893)	(5,338)
Others EBITDA	5,484	10,516	8,000	6,027	7,524
Consolidated EBITDA	62,952	92,866	106,567	104,186	113,763
EBITDA margin (%)					
Standalone	11.6	12.6	11.3	11.8	12.3
SMRPBV	7.0	8.1	8.7	8.3	8.5
SMP	6.1	8.3	8.2	7.6	7.8
SMR	10.4	10.4	9.5	9.2	9.4
Integrated Assemblies		11.5	11.8	11.8	12.0
Global wiring harness business	7.1	8.1	10.0	9.5	9.5
Others	(9.4)	(48.6)	(14.5)	(7.0)	(3.4)
Less JVs	8.6	7.3	10.6	10.6	10.6
Others	13.3	17.5	12.3	7.0	6.0
Consolidated EBITDA margin	8.0	9.4	9.4	8.8	8.9
Revenue Mix (%)					
Standalone	10.1	9.2	8.8	9.1	9.1
SMRPBV	87.7	88.3	89.1	87.3	84.8
SMP	49.0	45.9	49.4	48.3	47.1
SMR	20.7	19.1	17.0	16.6	16.0
Integrated Assemblies		6.8	8.2	8.3	8.3
Global wiring harness business	19.9	19.0	16.9	16.7	16.0
Others	1.5	1.3	1.3	1.3	1.4
Less JVs	(3.4)	(3.9)	(3.7)	(3.9)	(4.0)
Others	5.2	6.1	5.7	7.3	9.9
Inter-company	(3.0)	(3.5)	(3.6)	(3.8)	(3.8)
Total	100.0	100.0	100.0	100.0	100.0
EBITDA mix (%)					
Standalone	14.6	12.3	10.5	12.1	12.6
SMRPBV	76.6	76.4	82.0	82.1	80.8
SMP	37.2	40.6	42.9	41.5	41.1
SMR	27.0	21.2	17.1	17.3	16.9
Integrated Assemblies	-	8.3	10.2	11.1	11.2
Global wiring harness business	17.8	16.4	18.0	18.0	17.0
Others	(1.7)	(7.0)	(2.0)	(1.1)	(0.5)
Less JVs	(3.7)	(3.0)	(4.2)	(4.7)	(4.7)
Others	8.7	11.3	7.5	5.8	6.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Company, Kotak Institutional Equities estimates

We value SAMIL's standalone business at an EV of Rs108.6 bn based on DCF methodology

Exhibit 6: SAMIL standalone business DCF valuation, March fiscal year-ends, 2021-2040E (Rs mn, %)

	2021	2022	2023	2024	2025E	2026E	2027E	2040E	CAGR (%) 2024-40E
Standalone revenues	36,692	54,163	79,727	90,460	99,044	107,308	116,273	334,113	8.5
Standalone EBIT	2,424	4,691	6,634	8,254	7,592	8,682	9,942	26,729	7.6
EBIT (1-tax)	1,971	4,108	5,819	6,942	6,377	6,511	7,456	20,047	6.9
Depreciation	(1,983)	(2,042)	(2,582)	(3,130)	(3,554)	(3,949)	(4,344)	(8,171)	6.2
(Incr)/Decr in Working Capita	(4,909)	(5,832)	(5,699)	1,256	(947)	(2,191)	(836)	(2,402)	
Capital Expenditure	(1,927)	(2,888)	(4,031)	(6,620)	(5,000)	(5,000)	(5,000)	(9,900)	2.5
Free Cash Flows	(2,883)	(2,569)	(1,329)	4,708	3,984	3,269	5,965	15,915	
Discounted cash flow						-	5,965	3,442	
WACC used (%)	12.5								
Terminal growth rate (%)	4.0								
Capitalisation rate (%)	8.5								
Terminal value calculations									
Cash flow in terminal year	3,442								
Terminal value	42,116								
Sum of free cash flow	66,497								
EV value	108,613								

Source: Company, Kotak Institutional Equities estimates

We value SMRPBV business at an EV of EUR7.8 bn based on DCF methodology

Exhibit 7: SMRPBV business DCF valuation, March fiscal year-ends, 2021-2035E (EUR mn, %)

	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2035E	CAGR (%) 2024-35E
SMP revenues	4,713	5,136	6,269	6,332	6,610	7,007	7,427	7,873	9,579	5.8
SMR revenues	1,947	2,103	2,124	2,145	2,209	2,342	2,482	2,631	3,201	3.9
Integrated Assemblies revenues	-	748	1,020	1,071	1,146	1,215	1,288	1,365	1,725	7.9
Wiring Harness revenues	1,877	2,093	2,114	2,156	2,199	2,287	2,379	2,474	3,010	3.4
Others revenues	48	56	58	60	63	68	73	79	116	6.9
Unallocated revenues	(28)	(77)	(85)	(93)	(103)	(111)	(120)	(129)	(179)	8.0
Less Subs/JVs revenues	(290)	(353)	(381)	(412)	(445)	(467)	(490)	(515)	(657)	5.8
Eliminations	(90)	(93)	(102)	(112)	(123)	(126)	(128)	(131)	(144)	4.1
Total revenues	8,176	9,612	11,017	11,148	11,557	12,215	12,911	13,647	16,650	5.1
SMRPBV EBIT	254	432	578	528	568	633	638	672	747	5.1
SMRPBV EBIT margin (%)	3.1	4.5	5.2	4.7	4.9	5.2	4.9	4.9	4	(0.0)
EBIT (1-tax)	188	320	428	390	420	780	808	859	934	10.2
Depreciation	323	358	388	408	428	420	453	488	515	
(Incr)/Decr in Working Capital	(44)	87	(231)	(47)	105	(38)	(41)	(43)	(52)	
Capital Expenditure	(201)	(346)	(450)	(450)	(450)	(397)	(420)	(446)	(542)	
Free Cash Flows	267	419	135	302	503	765	800	858	855	
Discounted cash flow				-	503	682	635	607	341	
WACC used (%)	12.2									
Terminal growth rate (%)	1.5									
Capitalisation rate (%)	10.7									
Terminal value calculations										
Cash flow in terminal year	341									
Terminal value	3,234									
Sum of free cash flow	4,582									
EV value	7,817									

Source: Company, Kotak Institutional Equities estimates

We expect standalone EBITDA to grow by 12% CAGR during FY2024-27E

Exhibit 8: SAMIL standalone financials, March fiscal year-ends, 2021-27E (Rs mn, %)

	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)							
Net sales	36,692	54,163	79,727	90,460	99,044	107,308	116,273
EBITDA	4,406	6,734	9,216	11,384	11,146	12,631	14,286
Other income	1,104	6,399	3,901	5,532	7,392	7,151	8,766
Interest	897	1,411	1,575	2,564	3,312	2,936	3,001
Depreciation	1,983	2,042	2,582	3,130	3,554	3,949	4,344
Profit before tax	2,631	9,679	8,960	11,222	11,671	12,897	15,707
Current tax	610	971	1,401	1,969	1,867	3,224	3,927
Deferred tax	(118)	232	(301)	(186)	—	—	—
Net profit	2,102	8,417	7,860	9,439	9,804	9,673	11,780
Earnings per share (Rs)	0.3	1.2	1.2	1.4	1.4	1.4	1.7
Balance sheet (Rs mn)							
Equity	67,429	309,310	314,371	319,287	323,127	326,240	330,805
Deferred tax liability	—	—	—	—	—	—	—
Total Borrowings	47,798	53,452	56,896	43,667	44,667	45,667	46,667
Current liabilities	20,200	14,785	18,113	21,085	24,145	24,584	26,393
Total liabilities	135,427	377,547	389,381	384,039	391,939	396,491	403,865
Net fixed assets	17,875	18,215	19,815	24,069	25,515	26,565	27,221
Investments	55,673	303,866	307,469	313,184	313,184	313,184	313,184
Cash	2,556	6,317	2,298	1,530	3,978	4,849	8,922
Other current assets	59,324	49,149	59,799	45,256	49,263	51,893	54,539
Miscellaneous expenditure	—	—	—	—	—	—	—
Total assets	135,427	377,547	389,381	384,039	391,939	396,491	403,865
Free cash flow (Rs mn)							
Operating cash flow excl. working capital	8,310	9,515	9,128	9,850	9,279	9,407	10,359
Working capital changes	(4,909)	(5,832)	(5,699)	1,256	(947)	(2,191)	(836)
Net financial income	207	4,988	2,326	2,968	4,080	4,215	5,766
Cash flow from operations	3,607	8,671	5,755	14,074	12,411	11,431	15,289
Capital expenditure	(1,927)	(2,888)	(4,031)	(6,620)	(5,000)	(5,000)	(5,000)
Free cash flow	1,703	6,090	1,764	19,105	7,411	6,431	10,289
Ratios							
Gross margin (%)	40.5	37.4	36.7	36.7	36.5	36.8	37.0
EBITDA margin (%)	12.0	12.4	11.6	12.6	11.3	11.8	12.3
PAT margin (%)	5.3	14.8	9.9	10.4	9.9	9.0	10.1
Net debt/equity (X)	0.7	0.2	0.2	0.1	0.1	0.1	0.1
RoAE (%)	3.0	4.2	2.5	3.0	3.1	3.0	3.6
RoACE (%)	6.6	17.7	16.2	21.1	25.5	22.7	25.7

Source: Company, Kotak Institutional Equities estimates

We expect consolidated EBITDA to see 7% CAGR during FY2024-27E, partly on account of acquisitions

Exhibit 9: SAMIL consolidated financials, March fiscal year-ends, 2021-27E (Rs mn, %)

	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)							
Net sales	573,699	637,740	787,881	986,917	1,129,860	1,178,322	1,271,290
EBITDA	43,590	46,994	62,952	92,866	106,567	104,186	113,763
Other income	2,293	2,577	1,696	1,876	5,157	5,930	6,820
Interest	5,115	5,426	7,809	18,112	18,353	13,277	8,777
Depreciation	29,261	29,582	31,358	38,105	43,871	46,972	50,302
Profit before tax	11,508	14,562	25,480	38,525	49,500	49,867	61,504
Current tax	(693)	6,068	7,352	8,206	13,365	12,467	15,376
Deferred tax	(6,760)	(1,247)	(2,050)	(4,421)	—	—	—
Minority interest	5,302	3,077	1,740	3,034	3,534	3,724	4,017
Share of profit of associates	849	160	(437)	2,376	5,040	6,070	6,593
Reported net profit	7,124	5,096	14,956	27,162	37,641	39,747	48,705
Adjusted net profit	7,560	5,432	15,653	28,911	37,641	39,747	48,705
Adjusted EPS (Rs)	1.1	0.8	2.3	4.3	5.3	5.6	6.9
Balance sheet (Rs mn)							
Equity	125,606	205,882	224,515	261,549	342,607	375,794	417,283
Deferred tax liability	—	—	—	—	—	—	—
Total Borrowings	106,631	127,609	121,657	173,513	103,513	73,513	43,513
Current liabilities	208,379	211,447	253,091	394,549	447,694	485,366	517,825
Minority interest	40,233	17,763	19,254	20,606	24,140	27,864	31,881
Total liabilities	480,850	562,701	618,517	850,218	917,953	962,537	1,010,502
Net fixed assets	186,656	191,817	201,730	261,900	288,029	286,057	280,755
Investments	8,466	64,617	62,899	65,215	70,255	76,325	82,918
Cash	59,062	49,994	46,987	69,858	5,676	2,529	14,647
Other current assets	201,948	222,530	269,176	395,744	496,493	540,126	574,681
Goodwill	24,718	33,743	37,726	57,501	57,501	57,501	57,501
Total assets	480,850	562,701	618,517	850,218	917,953	962,537	1,010,502
Free cash flow (Rs mn)							
Operating cash flow excl. working capit	44,080	45,412	53,276	76,363	93,202	91,719	98,387
Working capital changes	6,432	(20,785)	(6,846)	(674)	(47,605)	(5,960)	(2,096)
Net financial income	(2,821)	(2,849)	(6,113)	(16,237)	(13,196)	(7,346)	(1,957)
Cash flow from operations	47,690	21,778	40,317	59,453	32,402	78,412	94,334
Capital expenditure	(19,700)	(25,081)	(22,211)	(43,213)	(70,000)	(45,000)	(45,000)
Free cash flow	28,366	(2,586)	15,897	(7,880)	(37,598)	33,412	49,334
Ratios							
Gross margin (%)	43.2	42.4	42.5	44.9	46.6	46.3	45.5
EBITDA margin (%)	7.6	7.4	8.0	9.4	9.4	8.8	8.9
PAT margin (%)	1.2	0.8	1.9	2.8	3.3	3.4	3.8
Net debt/equity (X)	0.4	0.4	0.3	0.4	0.3	0.2	0.1
Book value (Rs/share)	18.5	30.4	33.1	38.6	48.7	53.4	59.3
RoAE (%)	6.3	3.3	7.3	11.9	12.5	11.1	12.3
RoACE (%)	4.8	5.0	7.9	12.2	12.7	11.8	13.1

Note: From FY2020 onwards, financials of DWH are reported as part of discontinued operations

Source: Company, Kotak Institutional Equities estimates

Bharat Forge: End-consumer segment demand trends may further moderate

The recent imposition of tariffs on auto components and reciprocal tax will result in higher cost for auto and non-auto export businesses of Bharat Forge. A 25% tax will be levied on auto exports, whereas 26% tax will be levied on non-auto exports from May 3, 2025. In terms of exposure, the company supplies to CV (Class 8) and PV segments within the auto segment and in the non-auto segment, the company predominantly supplies to oil & gas, aerospace and construction equipment segments. On a standalone basis, the company derives around 35% of its revenues from the US as of FY2024. Out of the total exposure to the US market, the company derives roughly 45-50% from the CV segment and 25-30% each from PV and non-auto segments. In CV and PV segments, the company derives the majority of revenues from crankshafts, whereas in the non-auto segment, the key products are (1) oil & gas – mandrel, ring, connectors, spool, gate valve body, single cylinder fluid end, (2) aerospace – fan blades, turbine and compressor shafts and (3) construction equipment segment – machined crankshaft, front spindle.

Limited risk of market share loss for Bharat Forge; margin pressures may persist in the near term

We expect a limited risk of immediate market share loss for Bharat Forge due to its strong pricing advantage on account of efficient Indian operations, which will continue to keep its landed cost competitive even after tariffs. Additionally, switching suppliers for crankshafts will involve technical validation and lead-times, making it challenging for US OEMs. While competitors such as American Axle and Thyssenkrupp do have plants in the US, capacity constraints will limit their ability to fully replace imports in the near term. However, Bharat Forge may face near-term margin pressures if it chooses to absorb part of the tariff to remain price competitive.

US plants may face further delay in program ramp-ups, resulting in continued losses

The company has plants in the US, which generates revenues of around Rs8-9 bn on an annualized basis (5-6% of consolidated revenues). However, the subsidiaries have been incurring EBITDA losses due to lower utilization levels. They cater mostly to the PV segment, supplying predominantly aluminium forged parts. Given the risk of demand slowdown in PV segment, capacity utilization may remain at sub-optimal levels, which may result in delay in achieving EBITDA break-even for the business.

Multiple end-consumer segments may face demand pressures in US market

We do not see an immediate risk of market share loss for the company. However, apart from margin/pricing pressures, we do see a risk of demand slowdown in certain end-consumers segments of the company.

US commercial vehicle market: Given the heightened uncertainty around trade and retaliatory actions, the duration and magnitude of tariffs and the regulatory environment, FTR forecast US Class 8 market to decline by 13% yoy in CY2025E. In addition, potential tariffs on US imports from Mexico would compound issues for the CV industry as 42% of US Class 8 trucks are built in Mexico. Higher levies, along with potential deferral to emission norm change in 2027 (EPA), could result in limited fleet purchases.

US passenger vehicle market: Passenger vehicle demand may face demand pressures, as the prices of imported vehicle can inch up significantly. Domestic and foreign automakers with US-based production facilities may experience a competitive advantage. However, the tariffs may disrupt global supply chain, potentially leading to delays and increased manufacturing costs.

Oil & gas segment: With a sharp decline in crude oil prices, there can be significant decline in exploration and production activities, prompting the company's customer to scale back operations and capital expenditure. This contraction can lead to lower demand for equipment and components manufactured by the company. Additionally, lower oil prices can lead to pricing pressures throughout the supply chain, which may result in margin pressures for the suppliers.

Defense segment to see further uptick from FY2027E

The company recently won a much-awaited domestic defense business order from the Indian army for 307 guns (Rs69 bn) with BHFC securing 60% of the orderbook, as it emerged as the lowest bidder. The incremental revenue opportunity from the ATAGS order for the company is around Rs41 bn, executable over 2-3 years. We believe the company's defense revenues to grow by >25% CAGR over FY2024-27E led by ramp-up of new order over the coming years, as the Indian government is increasingly focusing on indigenizing the defense procurement. However, we had already baked in revenues from this order and we expect the ramp-up to happen from FY2027E.

Cut our FY2026-27 consolidated EBITDA estimates by 6-8%; retain our SELL rating

We have cut our FY2026-27E consolidated EBITDA by 6-8% on lower revenue growth and EBITDA margin assumptions. We expect the defense business to drive growth for the company in the coming years; however, we see (1) limited growth prospects for the company's core business, owing to weak demand trends in the domestic and export CV segments, (2) a moderation of growth in export non-auto segments (oil & gas, off-highway, construction and mining) and (3) muted demand trends with potential risk of recession in the US and EU regions. Based on our scenario analysis, we do see a risk of 13-16% cuts in consolidated EBITDA, driven by (1) slowdown in end-consumer market demand in US and (2) increased losses in US subsidiaries in the near term. Retain our SELL rating with a revised FV of Rs850 (Rs1,000 earlier), based on 10X FY2027E EV/EBITDA (from 11X FY2027E EV/EBITDA earlier) for the core business (excluding defense) and 25X FY2027E EV/EBITDA for the defense business.

The company derives around 37% of its standalone revenues from US

Exhibit 10: Geographical mix of Bharat Forge standalone, March fiscal year-ends, 2018-25 (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	9MFY25
Revenue mix (Rs mn)								
USA	20,227	26,007	18,681	12,077	25,105	30,458	31,755	25,007
Europe	8,052	9,951	6,828	6,654	10,624	11,872	13,286	8,159
Asia Pacific	1,433	1,301	993	960	974	2,275	4,242	1,795
Total export revenues	29,712	37,259	26,502	19,691	36,703	44,605	49,283	34,961
Total domestic revenues	23,448	27,941	19,137	16,828	25,847	31,122	40,403	31,846
Total standalone revenues	53,160	65,200	45,639	36,519	62,550	75,727	89,686	66,807
Revenue mix (%)								
USA	38.0	39.9	40.9	33.1	40.1	40.2	35.4	37.4
Europe	15.1	15.3	15.0	18.2	17.0	15.7	14.8	12.2
Asia Pacific	2.7	2.0	2.2	2.6	1.6	3.0	4.7	2.7
Total export mix	55.9	57.1	58.1	53.9	58.7	58.9	55.0	52.3
Total domestic mix	44.1	42.9	41.9	46.1	41.3	41.1	45.0	47.7
Total standalone mix	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Kotak Institutional Equities

We see potential cuts of 13-16% on consolidated EBITDA if the current situation prevails

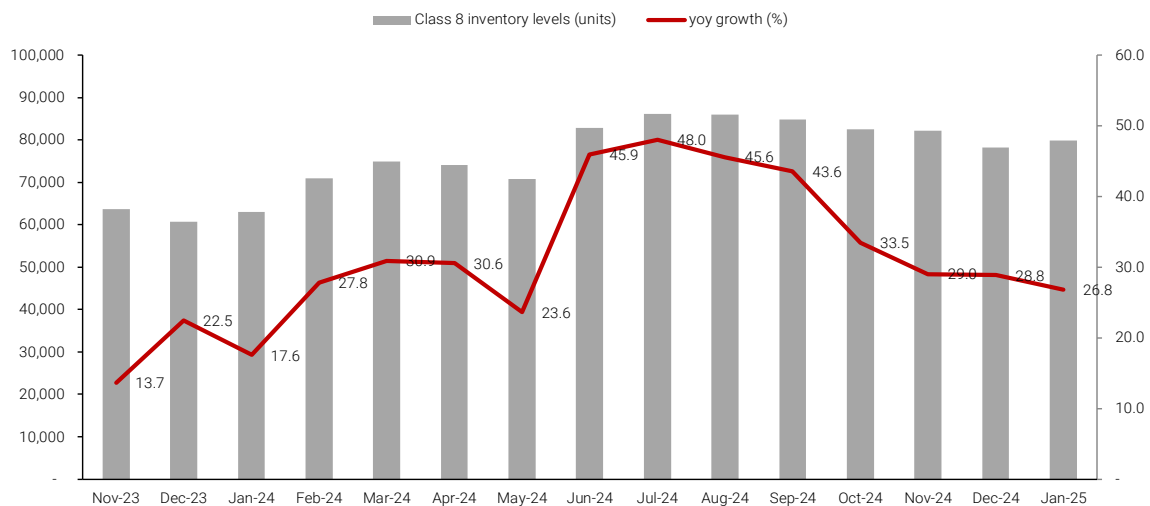
Exhibit 11: Scenario analysis of Bharat Forge standalone and consolidated, March fiscal year-ends, 2026E (Rs mn, %)

	2026E old estimates	Scenario 1	Scenario 2	% change - Scenario-1	% change - Scenario-2	Comments
		25% tariff pass-through to end-consumers	15% tariff pass-through to end-consumers			
US revenues (Rs mn)	35,443	28,355	31,899	(20)	(10)	20% revenue cut in scenario 1 and 10% volume cut on scenario 2
Others (Rs mn)	63,011	63,011	63,011	—	—	No impact in other market demand trends
Total standalone revenues (Rs mn)	98,454	91,365	94,910	(7.2)	(3.6)	4-7% cuts in revenues
US subs revenues (Rs mn)	9,000	8,100	8,100	(10.0)	(10.0)	10% cuts in revenues
Other subs revenues (Rs mn)	51,914	51,914	51,914	—	—	No impact in other market demand trends
Total consolidated revenues (Rs mn)	159,368	151,379	154,924	(5.0)	(2.8)	3-5% cut in overall revenues
Standalone EBITDA (Rs mn)	27,801	25,125	24,202	(9.6)	(12.9)	10-13% cuts in standalone EBITDA
Subs EBITDA (Rs mn)	1,639	600	600	(63.4)	(63.4)	Steep cuts in subs EBITDA due to lower base
Consolidated EBITDA (Rs mn)	29,440	25,726	24,802	(12.6)	(15.8)	13-16% cuts in consolidated EBITDA
Standalone EBITDA margin (%)	28.2	27.5	25.5			
Subs EBITDA margin (%)	2.7	1.0	1.0			
Consolidated EBITDA margin (%)	18.5	17.0	16.0			Negative operating leverage impact in scenario-1 and lower margins in USA will impact in scenario-2

Source: Company, Kotak Institutional Equities estimates

Inventory levels of class 8 trucks continues to be on uptrend despite the weakness in retail sales

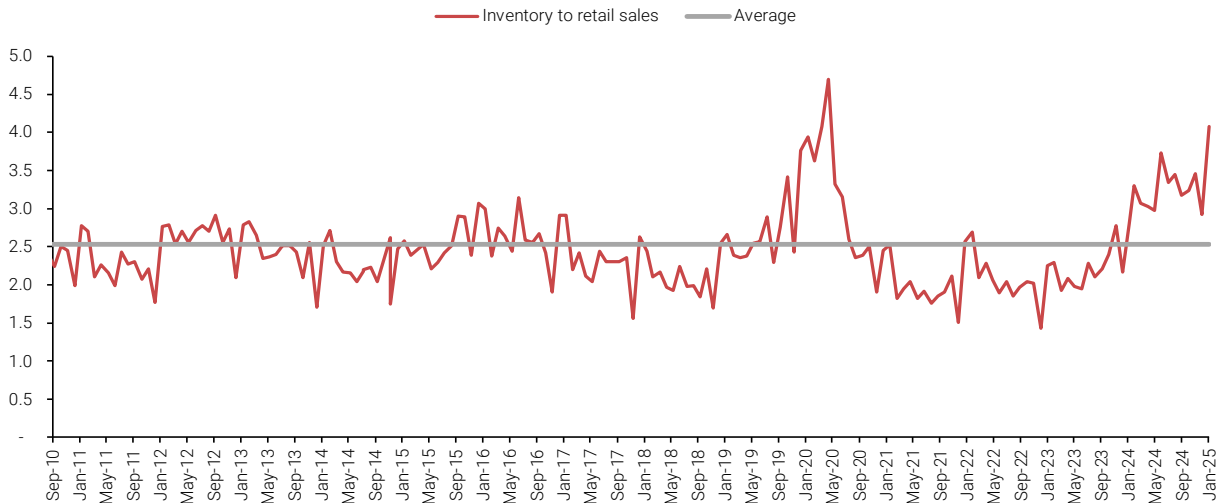
Exhibit 12: Class 8 (heavy duty) truck inventory levels in North America, calendar year-ends, 2023-25 (units, %)



Source: Bloomberg, Kotak Institutional Equities

Inventory to retail sales has inched up sharply suggest weak demand trends

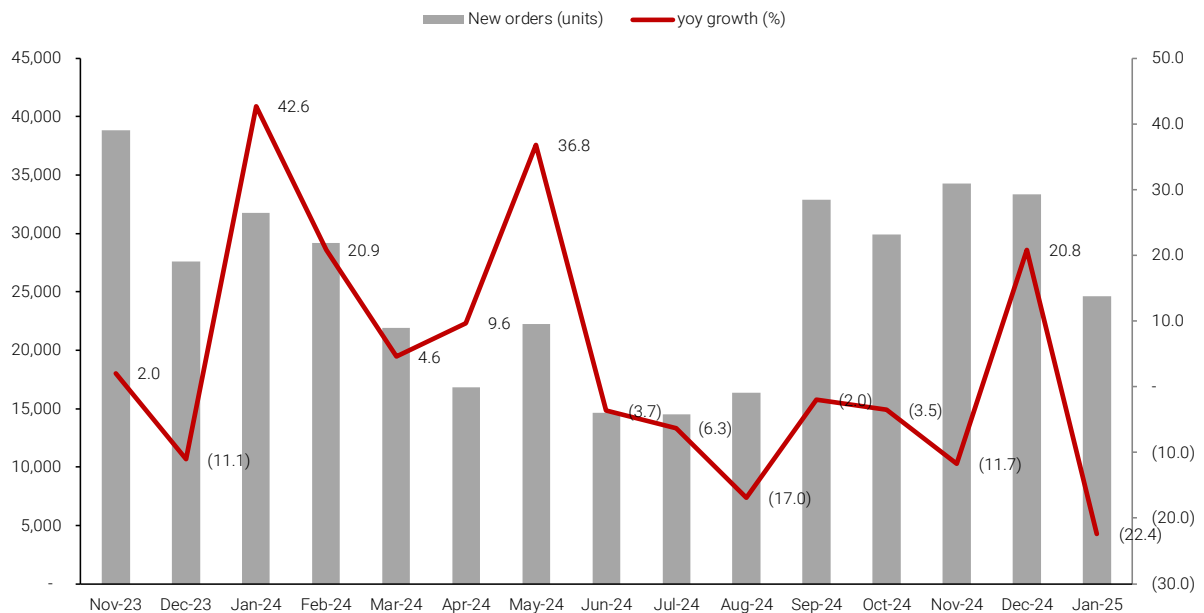
Exhibit 13: Class 8 trucks inventory to retail sales in North America, calendar year-ends, 2008-25 (X)



Source: Bloomberg, Kotak Institutional Equities

New order inflow for class 8 trucks has improved by 6% on a yoy basis in CY2024

Exhibit 14: Class 8 (heavy duty) trucks new order inflow trend in North America, calendar year-ends, 2023-25 (units, %)



Source: Bloomberg, Kotak Institutional Equities

We have cut our FY2026-27E consolidated EBITDA estimates by 5-8%, owing to lower revenue and EBITDA margin assumptions

Exhibit 15: Earnings revision table, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			% change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Standalone									
Net sales	88,867	94,872	107,561	88,867	98,454	112,902	0.0	(3.6)	(4.7)
EBITDA	25,159	26,409	30,132	25,159	27,801	32,239	0.0	(5.0)	(6.5)
EBITDA margin (%)	28.3	27.8	28.0	28.3	28.2	28.6			
Adjusted net profit	14,442	16,290	19,650	14,442	16,997	20,422	(0.0)	(4.2)	(3.8)
EPS	30.2	34.1	41.1	30.2	35.6	42.7	(0.0)	(4.2)	(3.8)
Consolidated									
Net sales	150,263	155,785	171,491	150,263	159,368	176,831	0.0	(2.2)	(3.0)
EBITDA	27,347	27,878	32,538	27,346	29,440	35,207	0.0	(5.3)	(7.6)
EBITDA margin (%)	18.2	17.9	19.0	18.2	18.5	19.9			
Adjusted net profit	10,697	13,670	17,332	10,539	13,866	18,218	1.5	(1.4)	(4.9)
EPS	22.4	28.6	36.3	22.0	29.0	38.1	1.5	(1.4)	(4.9)

Source: Company, Kotak Institutional Equities estimates

We value the Bharat Forge at Rs850 per share

Exhibit 16: Valuation of Bharat Forge, March fiscal year-ends, 2026-27E (Rs per share)

	Per share (Rs per share)	Multiple (X)	Value per share (Rs)
Consolidated EBITDA (ex-defense)	55.8	10.0	558
Defense EBITDA	12.2	25.0	306
AAM EBITDA	3.6	9.0	32
Net debt (including AAM acquisition)	46.1	1.0	46
Fair value			850

Source: Company, Kotak Institutional Equities estimates

We expect standalone revenues to increase by 6% CAGR over FY2024-27E

Exhibit 17: Standalone revenue breakdown by segments (revenues ex-other income), March fiscal year-ends, 2018-27E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Domestic sales										
Commercial Vehicles	10,380	10,948	5,167	5,111	7,418	10,140	10,341	9,514	9,704	10,092
Passenger Vehicles	2,043	2,373	2,263	2,161	2,936	3,513	2,997	3,746	3,971	4,209
Non Auto	7,895	10,133	8,078	7,446	11,666	12,978	22,360	24,388	28,939	37,534
Others	3,130	4,488	3,629	2,156	3,825	4,490	4,706	4,659	5,032	5,435
Total	23,448	27,942	19,137	16,873	25,845	31,121	40,404	42,307	47,646	57,270
Yoy (%)	17.9	19.2	(31.5)	(11.8)	53.2	20.4	29.8	4.7	12.6	20.2
Export sales										
Commercial Vehicles	13,039	15,912	12,702	9,595	17,149	19,474	21,134	20,611	19,713	20,617
Passenger Vehicles	3,062	4,875	5,047	4,496	5,648	9,553	12,694	10,409	10,825	11,691
Non Auto	13,611	16,471	8,753	5,555	13,908	15,579	15,454	15,541	16,688	17,983
Total	29,712	37,258	26,502	19,646	36,705	44,606	49,282	46,561	47,226	50,292
Yoy (%)	53.0	25.4	(28.9)	(25.9)	86.8	21.5	10.5	(5.5)	1.4	6.5
Overall standalone sales										
Commercial Vehicles	23,419	26,860	17,869	14,706	24,567	29,614	31,475	30,124	29,417	30,709
Passenger Vehicles	5,105	7,248	7,310	6,657	8,584	13,066	15,691	14,155	14,796	15,901
Non Auto	21,506	26,604	16,831	13,001	25,574	28,557	37,814	39,928	45,626	55,517
Others	3,130	4,488	3,629	2,156	3,825	4,490	4,706	4,659	5,032	5,435
Total	53,160	65,200	45,639	36,519	62,550	75,727	89,686	88,867	94,872	107,561
Yoy (%)	35.2	22.6	(30.0)	(20.0)	71.3	21.1	18.4	(0.9)	6.8	13.4
Revenue Mix (%)										
Commercial Vehicles	44.1	41.2	39.2	40.3	39.3	39.1	35.1	33.9	31.0	28.6
Passenger Vehicles	9.6	11.1	16.0	18.2	13.7	17.3	17.5	15.9	15.6	14.8
Non Auto	40.5	40.8	36.9	35.6	40.9	37.7	42.2	44.9	48.1	51.6
Revenues of select non-auto segments										
Aviation	300	450	300	602	1,000	1,692	2,707	3,113	3,736	4,483
Total Defense	1,500	3,950	2,500	1,023	1,264	3,222	15,610	18,000	22,000	30,000
Oil and Gas	7,000	10,000	4,500	1,300	7,227	7,588	3,794	4,743	4,980	5,229
US Class 8	10,746	13,540	10,832	8,099	15,307	17,205	18,906	18,717	17,781	18,492
EU M&HCV	2,293	2,372	1,870	1,496	1,842	1,989	2,228	1,894	1,932	2,125

Source: Company, Kotak Institutional Equities estimates

We estimate standalone EPS to increase by 10% CAGR over FY2024-27E

Exhibit 18: Bharat Forge standalone profit model, balance sheet and cash flow, March fiscal year-ends, 2018-27E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)										
Net sales	53,160	65,200	45,639	36,519	62,550	75,727	89,686	88,867	94,872	107,561
EBITDA	15,368	19,061	10,155	7,280	17,161	19,111	24,778	25,159	26,409	30,132
Other income	1,187	1,660	1,609	1,405	1,675	1,505	1,623	1,434	1,635	1,836
Interest	848	1,024	1,450	779	1,073	2,127	2,874	2,415	1,620	720
Depreciation	3,067	3,466	3,449	3,661	4,118	4,260	4,420	4,390	4,704	5,049
Profit before tax	12,639	16,231	6,865	4,245	13,645	14,230	19,107	19,787	21,720	26,199
Current tax	4,234	5,351	1,779	882	3,328	3,759	4,961	4,947	5,430	6,550
Net profit	7,073	10,713	4,735	3,125	10,782	10,455	14,250	13,511	16,290	19,650
Net profit	8,006	10,713	5,393	3,189	10,544	10,736	14,358	14,442	16,290	19,650
Earnings per share (Rs)	17.2	23.0	11.6	6.8	22.6	23.1	30.8	30.2	34.1	41.1
Balance sheet (Rs mn)										
Equity	46,143	53,982	53,551	59,486	71,098	77,000	85,688	112,369	124,998	140,619
Deferred tax liability	2,545	2,702	1,311	2,346	2,888	2,000	1,524	1,524	1,524	1,524
Total borrowings	25,128	30,403	29,711	33,171	39,240	44,747	44,499	39,499	14,499	9,499
Current liabilities	9,844	12,304	12,602	16,143	15,183	18,194	20,166	16,895	17,612	18,963
Total liabilities	83,660	99,391	97,174	111,145	128,409	141,941	151,876	170,287	158,631	170,604
Net fixed assets	28,303	33,468	36,578	35,254	35,494	35,412	35,327	35,937	36,233	36,185
Investments	20,605	21,919	23,526	35,690	38,995	42,791	44,651	50,651	56,651	62,651
Cash	1,877	3,698	4,442	2,801	3,828	4,024	10,539	29,209	8,378	8,316
Other current assets	32,874	40,305	32,629	37,399	50,090	59,714	61,359	54,490	57,369	63,453
Total assets	83,660	99,391	97,174	111,145	128,409	141,941	151,876	170,287	158,631	170,604
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	12,600	14,138	9,480	6,319	13,235	15,513	20,519	18,882	20,979	23,582
Working capital changes	(3,187)	(6,172)	4,287	1,818	(10,481)	(7,631)	397	3,598	(2,162)	(4,733)
Net financial income	339	636	159	625	602	(622)	(1,251)	(981)	15	1,116
Cash flow from operations	9,752	8,602	13,925	8,763	3,356	7,261	19,665	21,499	18,831	19,965
Capital expenditure	(4,791)	(10,817)	(6,916)	(5,196)	(6,668)	(6,639)	(11,807)	(11,000)	(5,000)	(5,000)
Free cash flow	4,961	(2,215)	7,010	3,567	(3,312)	622	7,858	10,499	7,831	8,965
Ratios										
Gross margin (%)	64.5	62.6	61.7	61.3	59.2	56.6	57.3	59.3	59.1	58.5
EBITDA margin (%)	28.9	29.2	22.3	19.9	27.4	25.2	27.6	28.3	27.8	28.0
PAT margin (%)	13.3	16.4	10.4	8.6	17.2	13.8	15.9	15.2	17.2	18.3
Net debt/equity (X)	0.2	0.2	0.2	0.1	0.2	0.2	0.2	(0.1)	(0.1)	(0.1)
Book value (Rs/share)	99.1	115.9	115.0	127.8	152.7	165.4	184.0	235.0	261.4	294.1
RoAE (%)	16.0	21.4	8.8	5.5	16.5	14.1	17.5	13.6	13.7	14.8
RoACE (%)	16.8	18.8	10.5	5.9	15.4	14.0	16.6	15.8	15.8	16.8

Source: Company, Kotak Institutional Equities estimates

We estimate consolidated EPS to increase by 23% CAGR over FY2024-27E, partly due to lower base

Exhibit 19: Bharat Forge consolidated profit model, balance sheet and cash flow, March fiscal year-ends, 2018-27E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)										
Net sales	83,577	101,457	80,558	63,363	104,611	129,103	156,821	150,263	155,785	171,491
EBITDA	17,230	20,556	11,147	8,617	20,159	17,675	25,579	27,347	27,878	32,538
Other income	1,420	2,028	1,879	1,689	1,959	1,729	2,274	2,074	2,374	2,524
Interest	1,065	1,272	1,713	1,077	1,604	2,986	4,912	4,063	3,013	2,203
Depreciation	4,669	5,208	5,477	6,122	7,303	7,356	8,482	8,688	9,035	9,775
Profit before tax	12,916	16,104	5,835	3,107	13,211	9,062	14,460	16,671	18,203	23,083
Current tax	4,418	5,664	1,125	1,015	3,035	3,186	5,288	5,668	4,733	6,002
Exceptional items	955	114	1,218	3,362	(924)	458	123	1,518	—	—
Share of profit from JVs	—	—	—	—	(330)	(334)	53	150	200	250
Minority interest	4	—	—	—	—	—	—	—	—	—
Reported PAT	7,540	10,326	3,492	(1,270)	10,771	5,084	9,102	9,635	13,670	17,332
Adj. net profit	8,208	10,406	4,345	2,092	9,847	5,404	9,188	10,697	13,670	17,332
Earnings per share (Rs)	17.6	22.3	9.3	4.5	21.1	11.6	19.7	22.4	28.6	36.3
Balance sheet (Rs mn)										
Equity	46,518	52,288	52,197	54,151	65,707	67,055	71,702	94,357	104,166	117,219
Deferred tax liability	2,544	2,702	1,311	2,346	2,889	2,153	1,690	1,690	1,690	1,690
Total borrowings	32,569	37,728	38,784	45,798	56,545	68,523	75,221	60,221	40,221	33,221
Current liabilities	18,240	23,406	23,017	29,167	30,387	45,749	44,927	43,981	44,778	47,043
Minority interest	294	298	320	317	561	361	(49)	(49)	(49)	(49)
Total liabilities	100,164	116,422	115,628	131,778	156,089	183,842	193,491	200,201	190,806	199,125
Net fixed assets	38,435	44,553	50,109	53,640	59,441	65,618	69,903	71,215	72,180	72,404
Investments	15,011	15,237	16,180	26,068	26,038	25,688	18,490	20,490	22,490	24,490
Cash	3,041	4,755	5,751	4,729	6,030	10,395	16,899	21,333	6,273	4,251
Other current assets	43,677	51,878	43,588	47,342	64,581	82,140	88,200	87,163	89,864	97,980
Total assets	100,164	116,422	115,628	131,778	156,089	183,842	193,491	200,201	190,806	199,125
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	13,652	15,861	10,612	6,364	17,327	13,308	20,880	20,161	23,145	26,536
Working capital changes	(3,979)	(6,747)	4,607	3,837	(12,269)	(363)	(4,236)	91	(1,904)	(5,850)
Net financial income	355	756	165	612	355	(1,258)	(2,637)	(1,989)	(639)	321
Cash flow from operations	10,028	9,870	15,385	10,812	5,413	11,687	14,007	18,263	20,601	21,007
Capital expenditure	(5,684)	(11,318)	(9,571)	(8,905)	(9,646)	(9,699)	(15,003)	(10,000)	(10,000)	(10,000)
Free cash flow	4,345	(1,447)	5,813	1,906	(4,233)	1,988	(997)	8,263	10,601	11,007
Ratios										
EBITDA margin (%)	20.6	20.3	13.8	13.6	19.3	13.7	16.3	18.2	17.9	19.0
PAT margin (%)	9.0	10.2	4.3	(2.0)	10.3	3.9	5.8	6.4	8.8	10.1
Net debt/equity (X)	0.3	0.3	0.4	0.3	0.4	0.5	0.6	0.2	0.2	0.1
Book value (Rs/share)	99.9	112.3	112.1	116.3	141.1	144.0	154.0	197.4	217.9	245.2
RoAE (%)	17.2	20.9	6.7	(2.4)	18.0	7.7	13.1	11.6	13.8	15.7
RoACE (%)	12.1	13.3	6.7	3.0	10.3	6.1	8.7	9.1	10.5	12.7

Note:

(a) FY2022 constitutes of 15 month period for overseas subsidiaries

Source: Company, Kotak Institutional Equities estimates

Sona Comstar: Heavy reliance on US market to weigh in the near term

The tariffs on auto components will result in higher cost for the auto export business of Sona Comstar. A 25% tax will be levied on auto exports from May 3, 2025. In terms of exposure, the company supplies to EV PV, ICE PV, CV and OHV segments within the auto segment. Overall, the company derives around ~43% of its revenues from US as of 9MFY25. In the EV PV segment, the company derives a majority of revenues from differential assembly whereas in other segments, the company predominant supplies differential gears.

Marginal risk of market share loss for Sona Comstar; margin pressures may persist in the near term

We expect a marginal risk of market share loss for Sona Comstar, as the majority of the competition has domestic manufacturing in the US in the medium term. However, we believe that despite the 25% imposition of tariffs, Sona Comstar will have pricing advantage on account of efficient Indian operations, which will continue to keep its landed cost competitive. Additionally, switching suppliers for crankshafts will involve technical validation and lead-times making it challenging for US OEMs. Sona Comstar's key competitors in the US in differential gears and assembly market include American Axle and Manufacturing (AAM), Dana Inc., GKN Automotive and Musashi Seimitsu Industry – most of them have manufacturing presence in the US. This will enable them to foster closer relationships with US OEMs, intensifying the competitive landscape in the region. Sona Comstar has majority exposure to domestic OEMs (no tariffs), which can enable to gain market share in the domestic market, thereby benefitting Sona Comstar. However, Sona Comstar may face near-term margin pressures if it chooses to absorb part of the tariff to remain price competitive.

Policy uncertainty in US, along with tariff war, will continue to weigh on EV segment growth prospects

The new US administration has decided to halt IRA (Inflation Reduction Act) fund disbursements, implying that the new electric vehicle purchases will not be eligible for tax credit of USD7.5k. US government has already levied 25%/100% import duty on EV batteries and EVs, respectively from China. We expect the prices of EVs to inch up in the near term, as the US government is planning to develop their own battery supply chain, which in the near term, will raise the cost of procurement due to lower economies of scale. This can impede the sales growth of EV vehicles and overall EV transition. Coupled with it, tariffs will further result in higher cost of production even for domestic players. We believe the uncertainty around policies from the new US government will weigh on overall growth of Sona Comstar, which derives 44% of their revenues from the US market as on 9MFY25.

EV sales in European market to remain weak in the near term

EV sales in Europe declined 1% in CY2024 due to (1) expiry of incentives and (2) economic downturn in key markets such as Germany and France. China OEMs have been able to gain traction in EV segment with market share of 11-12% in CY2024 (from 4% in CY2020) with the help of subsidies doled out by China across the value chain: (1) cheap land for factories, (2) tax breaks and (3) lower interest rates, etc. The imposition of higher tariff by EU on EVs manufactured in China will significantly increase the cost of EVs in Europe in the near term till the supply chain is localized in Europe, which might delay the EV adoption in Europe. However, given the limited presence of the company with Chinese players, it can further lose share in the EU market, if the incremental growth is driven by Chinese OEMs in the EU region.

Cut our FY2026-27 consolidated EPS estimates by 4-7%; downgrade to REDUCE (from ADD earlier)

We have cut our FY2026-27 consolidated EPS estimates by 4-7% on lower revenue growth and EBITDA margin assumptions. Sona Comstar's BEV segment performance in North American market has witnessed demand moderation owing to weak BEV industry volumes. In addition, we expect the near-term revenue growth trajectory to remain subdued, owing to (1) muted demand trends in the BEV/CV/OHV segments in various developed markets, (2) uncertainty surrounding the EV policy in the US market and (3) additionally pricing/margin pressures owing to Trump tariffs. Further, the company's reliance on a single US EV customer (~20% of its revenues) remains a key risk as competitive intensity from domestic OEMs in the US and Chinese OEMs in the EU is increasing. Currently, the company has limited exposure to Chinese OEMs and we believe a foray into Chinese OEMs will come at the cost of the margins. In addition, with the sustenance of Trump tariffs, we do see a downside risk of 13-14% on PAT for the company. Downgrade to REDUCE (from ADD earlier), with a revised FV of Rs430 (Rs585 earlier). We value the core business based on the DCF methodology and railway business at Rs40 per share.

The company derived 43% of its revenues from North America (majority of it is US) in 9MFY25

Exhibit 20: Revenue split by products, geography and vehicle type, March fiscal year-ends, 2018-25 (%)

	2018	2019	2020	2021	2022	2023	2024	9MFY25
Revenue mix by products (%)								
Differential Assembly	4.3	4.5	5.6	17.6	27.0	23.0	24.0	28.0
Differential Gears	42.5	41.5	34.8	27.8	25.0	32.0	32.0	30.0
Micro Hybrid Starter Motors	10.3	17.0	29.5	26.7	26.0	21.0	24.0	20.0
Conventional Starter Motors	39.5	33.8	25.9	23.8	17.0	15.0	10.0	9.0
Traction Motors	—	—	—	—	1.5	4.0	5.0	8.0
Semiconductors & Embedded SW	—	—	—	—	—	—	1.0	2.0
Other Gears	2.4	2.3	3.3	2.8	2.5	4.0	3.0	2.8
Others	1.0	0.9	1.0	1.3	1.0	1.0	1.0	0.2
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue mix by geography (%)								
North America	48.5	42.4	40.1	36.1	33.0	43.0	40.0	43.0
Europe	15.9	18.2	23.4	26.5	26.0	20.0	26.0	23.0
India	30.6	31.5	27.4	25.0	22.0	29.0	28.0	28.0
Asia excluding India	0.7	1.9	2.2	11.0	18.0	7.0	5.0	5.6
Others	4.4	5.9	6.9	1.4	1.0	1.0	1.0	0.4
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue mix by vehicle segments (%)								
Passenger vehicle (PV)	62.6	62.0	65.2	68.4	68.0	69.0	70.0	72.5
Commercial vehicle (CV)	16.7	16.4	16.5	17.1	16.0	15.0	14.0	10.0
Off-highway vehicle (OHV)	20.6	21.5	18.1	14.4	15.0	12.0	10.0	8.0
2W/3W	0.1	0.2	0.2	0.1	1.0	4.0	5.0	8.0
Semiconductors & Embedded SW	—	—	—	—	—	—	1.0	1.5
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Kotak Institutional Equities

We see potential cuts of 11-12% on consolidated EBITDA if the current situation prevails

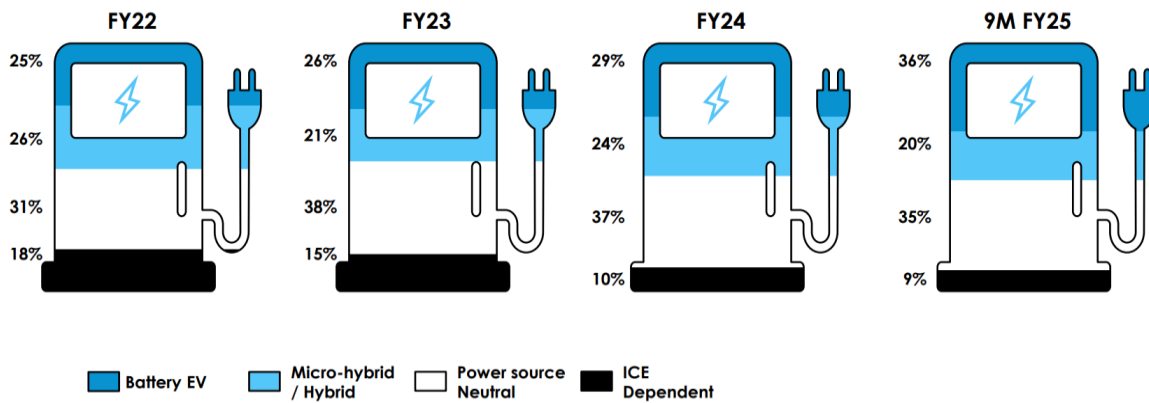
Exhibit 21: Scenario analysis of Sona Comstar, March fiscal year-ends, 2026E (Rs mn, %)

	2026E old estimates	Scenario 1	Scenario 2	% change - Scenario-1	% change - Scenario-2	Comments
		25% tariff pass-through to end-consumers	15% tariff pass-through to end-consumers			
USA revenues (Rs mn)	18,668	14,934	16,801	(20)	(10)	20% revenue cut in scenario 1 and 10% revenue cut on scenario 2
Other (Rs mn)	22,816	22,816	22,816	—	—	No impact in other market demand trends
Total revenues (Rs mn)	41,483	37,750	39,617	(9.0)	(4.5)	5-9% revenue cuts on an overall basis
EBITDA	11,402	10,004	10,102	(12.3)	(11.4)	11-12% cuts in EBITDA
EBITDA margin (%)	27.5	26.5	25.5			Negative operating leverage impact in scenario-1 and lower margins in USA will impact in scenario-2
PBT (Rs mn)	9,889	8,491	8,589	(14.1)	(13.1)	13-14% cuts in PBT
PAT (Rs mn)	7,461	6,368	6,442	(14.7)	(13.7)	13-15% cuts in PAT

Source: Company, Kotak Institutional Equities estimates

Battery EV mix improved to 36% in 9MFY25 versus 29% in FY2024

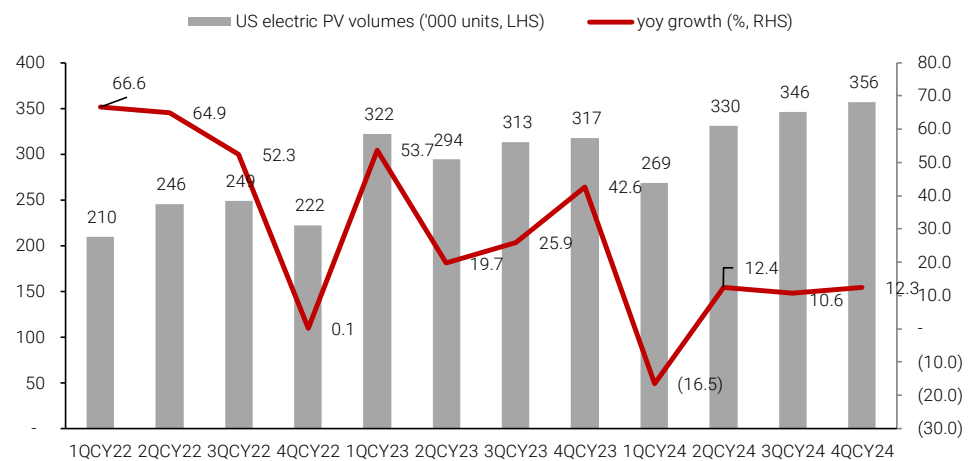
Exhibit 22: Revenue split by power train, March fiscal year-ends, 2021-25 (%)



Source: Company, Kotak Institutional Equities

US EV PV volumes increased by 4.5% on a yoy basis in CY2024

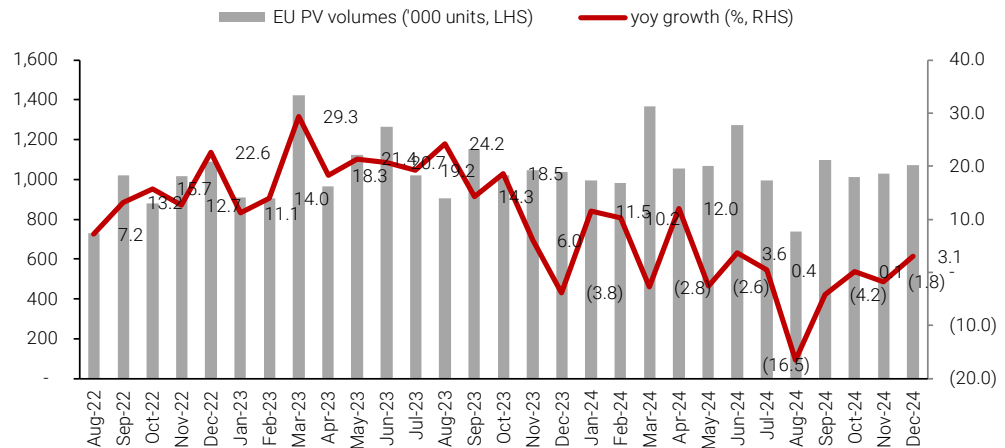
Exhibit 23: US quarterly electric vehicle volume trends, calendar year-ends, 2022-24



Source: Bloomberg, Kotak Institutional Equities

EU PV volumes grew by 1% on a yoy basis in CY2024

Exhibit 24: EU monthly passenger vehicle volume trends, calendar year-ends, 2022-24



Source: Cox Automotive, Kotak Institutional Equities

EU BEV volumes declined by 1% yoy in CY2024

Exhibit 25: EU country wise sales volumes trends, calendar year-ends, 2023-24 (%)

Country wise PV sales in Europe	BEV			Hybrid Electric Vehicles			Petrol			Diesel			Total		
	Jan-Dec2024	Jan-Dec2023	yoy change (%)	Jan-Dec2024	Jan-Dec2023	yoy change (%)	Jan-Dec2024	Jan-Dec2023	yoy change (%)	Jan-Dec2024	Jan-Dec2023	yoy change (%)	Jan-Dec2024	Jan-Dec2023	yoy change (%)
Austria	44,622	47,621	(6.3)	64,099	50,630	26.6	84,004	77,354	8.6	44,132	46,568	(5.2)	253,789	239,150	6.1
Belgium	127,703	93,285	36.9	41,305	36,781	12.3	186,836	200,994	(7.0)	21,879	41,714	(47.5)	448,277	476,675	(6.0)
Bulgaria	1,665	1,874	(11.2)	1,005	693	45.0	32,818	28,665	14.5	6,986	6,136	13.9	42,941	37,724	13.8
Croatia	1,793	1,637	9.5	17,736	12,875	37.8	30,479	28,639	6.4	12,203	11,829	3.2	65,020	57,694	12.7
Cyprus	1,193	788	51.4	6,438	5,633	14.3	6,394	7,360	(13.1)	368	448	(17.9)	15,057	14,740	2.2
Czechia	10,920	6,680	63.5	50,973	40,287	26.5	110,895	115,971	(4.4)	49,166	49,205	(0.1)	231,597	221,419	4.6
Denmark	89,199	62,715	42.2	29,869	30,266	(1.3)	39,906	54,355	(26.6)	7,048	8,132	(13.3)	173,114	172,745	0.2
Estonia	1,320	1,445	(8.7)	11,536	9,067	27.2	6,695	8,846	(24.3)	4,421	2,836	55.9	25,386	22,820	11.2
Finland	21,868	29,535	(26.0)	22,505	22,376	0.6	11,255	12,910	(12.8)	3,413	4,124	(17.2)	74,064	87,502	(15.4)
France	290,614	298,219	(2.6)	588,895	432,299	36.2	507,755	641,582	(20.9)	124,951	171,728	(27.2)	1,718,412	1,774,722	(3.2)
Germany	380,609	524,219	(27.4)	755,493	664,580	13.7	991,948	978,660	1.4	483,261	486,581	(0.7)	2,817,331	2,844,609	(1.0)
Greece	8,707	6,379	36.5	57,917	41,550	39.4	48,923	56,291	(13.1)	9,835	17,653	(44.3)	137,075	134,484	1.9
Hungary	9,365	5,799	61.5	56,034	45,022	24.5	36,280	37,752	(3.9)	14,674	13,943	5.2	121,611	107,720	12.9
Ireland	17,459	22,852	(23.6)	26,839	25,039	7.2	36,732	36,878	(0.4)	27,628	27,249	1.4	121,196	122,400	(1.0)
Italy	65,620	66,287	(1.0)	623,665	566,387	10.1	456,052	447,451	1.9	215,294	273,866	(21.4)	1,559,229	1,567,151	(0.5)
Latvia	1,270	1,787	(28.9)	6,095	5,475	11.3	5,848	7,965	(26.6)	2,944	3,003	(2.0)	17,329	18,928	(8.4)
Lithuania	1,779	2,105	(15.5)	13,891	10,781	28.8	7,844	10,018	(21.7)	4,346	3,242	34.1	30,122	27,666	8.9
Luxembourg	12,778	11,033	15.8	10,460	9,462	10.5	13,824	16,332	(15.4)	5,766	7,476	(22.9)	46,659	49,105	(5.0)
Malta	2,886	1,515	90.5	1,410	1,638	(13.9)	2,558	2,668	(4.1)	294	624	(52.9)	7,663	7,436	3.1
Netherlands	132,166	113,967	16.0	107,124	89,980	19.1	83,407	112,215	(25.7)	3,763	3,966	(5.1)	381,227	369,631	3.1
Poland	16,564	17,070	(3.0)	248,531	189,983	30.8	206,054	196,453	4.9	48,866	45,643	7.1	551,568	475,032	16.1
Portugal	41,757	36,390	14.7	35,020	28,859	21.3	71,072	72,030	(1.3)	18,443	23,987	(23.1)	209,715	199,623	5.1
Romania	9,795	14,438	(32.2)	58,470	43,401	34.7	49,005	51,801	(5.4)	18,443	16,062	14.8	151,105	143,080	5.6
Slovakia	2,227	2,346	(5.1)	28,206	24,183	16.6	44,118	41,412	6.5	14,808	15,253	(2.9)	93,409	88,003	6.1
Slovenia	3,148	4,330	(27.3)	5,572	7,098	(21.5)	32,644	27,432	19.0	9,658	8,404	14.9	53,018	48,924	8.4
Spain	57,374	51,611	11.2	392,365	302,988	29.5	378,687	387,609	(2.3)	96,380	118,646	(18.8)	1,016,885	949,362	7.1
Sweden	94,333	112,179	(15.9)	27,409	23,581	16.2	60,722	62,347	(2.6)	18,771	23,821	(21.2)	269,582	289,820	(7.0)
EUROPEAN UNION	1,447,934	1,538,106	(5.9)	3,288,862	2,720,914	20.9	3,542,755	3,721,990	(4.8)	1,267,741	1,431,239	(11.4)	10,632,381	10,548,165	0.8
Iceland	2,661	8,776	(69.7)	2,091	2,889	(27.6)	1,551	1,711	(9.4)	2,281	2,409	(5.3)	10,233	17,543	(41.7)
Norway	114,396	104,588	9.4	6,869	7,584	(9.4)	986	1,493	(34.0)	2,938	3,117	(5.7)	128,687	126,953	1.4
Switzerland	46,141	52,728	(12.5)	80,513	68,830	17.0	69,527	83,866	(17.1)	22,530	23,499	(4.1)	239,535	252,214	(5.0)
EFTA	163,198	166,092	(1.7)	89,473	79,303	12.8	72,064	87,070	(17.2)	27,749	29,025	(4.4)	378,455	396,710	(4.6)
United Kingdom	381,970	314,687	21.4	689,973	601,071	14.8	658,853	774,484	(14.9)	54,804	71,501	(23.4)	1,952,778	1,903,054	2.6
EU + EFTA + UK	1,993,102	2,018,885	(1.3)	4,068,308	3,401,288	19.6	4,273,672	4,583,544	(6.8)	1,350,294	1,531,765	(11.8)	12,963,614	12,847,929	0.9

Source: ACEA, Kotak Institutional Equities

We have cut our FY2026-27 EPS estimates by 4-7% on account of lower revenue and margin assumptions partly

Exhibit 26: Sona Comstar change in estimates, March fiscal year-end, 2025-27E (Rs mn, %)

	New estimates			Old estimates			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Net sales	35,440	40,591	46,648	35,440	42,141	50,558	-	(3.7)	(7.7)
EBITDA	9,676	10,816	12,591	9,676	11,600	13,892	-	(6.8)	(9.4)
EBITDA margin (%)	27.3	26.6	27.0	27.3	27.5	27.5	-	(0.4)	(0.4)
Net profit	6,046	7,308	8,539	6,046	7,610	9,220	-	(4.0)	(7.4)
EPS (Rs)	9.8	11.8	13.8	9.8	12.3	14.9	-	(4.0)	(7.4)

Source: Company, Kotak Institutional Equities estimates

We value the business at Rs430 per share

Exhibit 27: Sona Comstar valuation, March fiscal year-end, 2026-27E

	Value per share (Rs)	Comments
Core business	390	DCF methodology
Railway business	40	15X FY2026E EPS
KIE fair value	430	

Source: Company, Kotak Institutional Equities estimates

We value the company at Rs390 per share

Exhibit 28: Sona Comstar DCF, March fiscal year-end, 2020-50E (Rs mn, %)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2050E	CAGR (%) FY2024-50E
BEV differential assembly industry assumptions										
Global PV volumes (mn units)	74.9	63.8	66.7	67.2	75.3	78.3	79.9	81.5	128.5	2.1
BEV PV volumes (mn units)	2.3	3.2	4.6	7.3	9.5	10.9	12.6	15.1	128.5	10.5
Non BEV PV volumes (mn units)	72.6	60.6	62.1	59.9	65.8	67.4	67.3	66.4	—	—
Differential assembly content in EV vehicle (USD)	80	80	100	100	110	115	127	139	238	3.0
Market size for differential assembly (USD mn)	184	256	460	730	1,045	1,256	1,589	2,098	30,594	13.9
Sona Comstar BEV differential assembly segment revenues (USD mn)	3	28	74	74	90	114	129	149	1,836	12.3
Sona Comstar market share in BEV differential assembly segment (%)	1.7	10.9	16.1	10.1	8.6	9.0	8.1	7.1	6.0	—
Domestic EV 2W/3W traction motor industry assumptions										
Domestic 2W/3W volumes (mn units)	17.4	15.3	13.8	16.3	18.6	20.6	22.5	24.2	33.0	2.2
Domestic ICE 2W/3W volumes (mn units)	—	0.2	0.3	0.8	1.1	1.5	2.5	3.4	33.0	14.0
Domestic ICE 2W/3W volumes (mn units)	17.4	15.1	13.5	15.5	17.5	19.1	20.0	20.8	—	—
Traction motor content in 2W/3W EV vehicle (Rs)	15,000	15,000	15,000	15,000	15,000	15,000	15,300	15,606	24,609	—
Market size for 2W/3W EV traction motor (Rs bn)	—	3	4	12	17	23	38	53	812	16.2
Sona Comstar traction motor segment revenues (Rs mn)	—	—	203	1,027	1,541	2,800	4,000	6,000	121,790	18.3
Sona Comstar market share in domestic EV 2W traction motor segment (%)	—	—	5	8.4	9.3	12.3	10.5	11.4	15.0	—
Sona Comstar										
Differential gear segment revenues	2,928	4,759	5,693	9,244	10,787	10,965	11,842	12,662	96,089	8.8
Domestic 2W/3W EV traction motor revenues	—	—	203	1,027	1,541	2,800	4,000	6,000	121,790	18.3
BEV Differential assembly segment revenues	234	2,057	5,490	5,906	7,397	9,318	10,870	12,982	251,811	14.5
Active suspension system revenues	—	—	—	—	—	250	1,250	2,000	17,909	—
International non-EV revenues (starter motor business)	8,642	8,074	8,743	9,244	10,468	9,790	9,810	8,528	—	—
Software & sensors (Novelic)	—	—	—	—	319	850	1,190	1,666	16,305	—
Other segments (Equipmake)	—	—	—	—	—	—	—	1,000	26,626	—
Other operating revenues	397	774	1,177	1,128	1,339	1,467	1,629	1,810	15,063	9.8
Total revenues	12,201	15,663	21,306	26,550	31,850	35,440	40,591	46,648	545,593	11.5
EBIT	2,472	3,441	4,171	4,972	6,821	7,118	7,967	9,351	98,207	10.8
EBIT (1-tax)	2,410	2,592	3,465	3,834	5,286	5,148	5,593	6,576	73,655	—
EBIT margin (%)	20.3	22.0	19.6	18.7	21.4	20.1	19.6	20.0	18.0	—
Depreciation	782	969	1,420	1,780	2,202	2,558	2,850	3,240	14,111	8.5
Change in working capital	504	(2,302)	185	(1,024)	1,488	381	(747)	(872)	(2,717)	—
Capex	(2,241)	(2,189)	(3,472)	(3,352)	(3,195)	(3,500)	(3,500)	(4,000)	(13,640)	—
Free cash flow	1,455	(930)	1,598	1,237	5,781	4,587	4,196	4,943	71,409	14.5
Discounted cash flow								4,943	4,756	
WACC	12.5									
Terminal growth rate (%)	3.0									
Sum of cash flows	168,340									
Terminal value	51,565									
NPV of cash flows	219,905									
Net cash - As of March 2026 (Rs mn)	14,687									
PLI benefits (Rs mn)	6,181									
KIE Fair value	390									

Source: Company, Kotak Institutional Equities estimates

We expect overall revenues to grow by 14% CAGR over FY2024-27E

Exhibit 29: Sona Comstar revenue forecast by segments, March fiscal year-end, 2018-27E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	CAGR (%) FY2018-24	FY2024-27E
Revenue by powertrain (Rs mn)												
Conventional Starter Motors	4,822	4,736	3,167	3,732	3,457	3,852	3,072	3,133	2,820	2,538	(7.2)	(6.2)
Hybrid Starter Motors	1,231	2,325	3,480	3,975	5,287	5,393	7,397	6,657	6,990	6,990	34.8	(1.9)
Domestic 2W/3W EV Motors	—	—	—	—	203	1,027	1,541	2,800	4,000	6,000	NA	57.3
Active suspension systems	—	—	—	—	—	—	—	250	1,250	2,000	NA	NA
Differential Gears (includes other gears)	5,737	6,415	4,924	5,125	5,693	9,244	10,787	10,965	11,842	12,662	11.1	5.5
Differential Assemblies	127	174	234	2,057	5,490	5,906	7,397	9,318	10,870	12,982	96.9	20.6
Sensor and Software (Novelic)	—	—	—	—	—	—	319	850	1,190	1,666	NA	73.6
Others	—	—	—	—	203	257	308	333	359	388	NA	8.0
Net revenue from sales of goods	11,917	13,650	11,804	14,889	20,130	25,679	30,819	34,306	39,322	45,226	17.2	13.6
Other operating revenues	324	627	397	774	974	871	1,031	1,134	1,270	1,422	21.3	11.3
Total revenues	12,241	14,277	12,201	15,663	21,103	26,550	31,850	35,440	40,591	46,648	17.3	13.6
Revenue mix by powertrain (%)												
Conventional Starter Motors	39.4	33.2	26.0	23.8	16.4	14.5	9.6	8.8	6.9	5.4	—	—
Hybrid Starter Motors	10.1	16.3	28.5	25.4	25.1	20.3	23.2	18.8	17.2	15.0	—	—
Domestic 2W/3W EV Motors	—	—	—	—	1.0	3.9	4.8	7.9	9.9	12.9	—	—
Active suspension systems	—	—	—	—	—	—	—	0.7	3.1	4.3	—	—
Differential Gears (includes other gears)	46.9	44.9	40.4	32.7	27.0	34.8	33.9	30.9	29.2	27.1	—	—
Differential Assemblies	1.0	1.2	1.9	13.1	26.0	22.2	23.2	26.3	26.8	27.8	—	—
Sensor and Software (Novelic)	—	—	—	—	—	—	1.0	2.4	2.9	3.6	—	—
Others	—	—	—	—	1.0	1.0	1.0	0.9	0.9	0.8	—	—
Net revenue from sales of goods	97.4	95.6	96.7	95.1	95.4	96.7	96.8	96.8	96.9	97.0	—	—
Other operating revenues	2.6	4.4	3.3	4.9	4.6	3.3	3.2	3.2	3.1	3.0	—	—
Total revenue mix	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	—

Source: Company, Kotak Institutional Equities estimates

We expect EPS to grow at 15% CAGR over FY2024-27E

Exhibit 30: Financial summary of Sona Comstar, March fiscal year-ends, 2018-27E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)										
Net sales	12,241	14,277	12,201	15,663	21,306	26,550	31,850	35,440	40,591	46,648
EBITDA	3,455	4,122	3,254	4,410	5,591	6,752	9,023	9,676	10,816	12,591
Other income	91	58	76	23	200	116	239	1,219	1,925	2,183
Depreciation	(612)	(722)	(782)	(969)	(1,420)	(1,780)	(2,202)	(2,558)	(2,850)	(3,240)
Interest	(214)	(198)	(269)	(325)	(183)	(169)	(258)	(294)	(205)	(205)
Profit before tax	2,720	3,260	2,279	3,139	4,189	4,919	6,803	8,044	9,687	11,329
Exceptional item	—	—	—	(139)	133	(34)	(87)	(167)	—	—
Income tax	(1,005)	(1,131)	(62)	(848)	(706)	(1,138)	(1,535)	(1,971)	(2,373)	(2,776)
Minority interest	—	—	—	—	—	—	5	(15)	5	15
Reported PAT	1,715	2,129	2,217	2,152	3,615	3,747	5,175	5,921	7,308	8,539
Adjusted PAT	1,715	2,129	2,217	2,256	3,516	3,772	5,240	6,046	7,308	8,539
Adjusted EPS	3.0	3.7	3.9	3.9	6.0	6.5	9.0	9.8	11.8	13.8
Balance sheet (Rs mn)										
Equity	10,944	12,599	11,779	13,759	20,003	22,902	28,001	56,890	62,742	69,588
Total borrowings	1,331	1,353	2,614	3,647	704	2,175	2,331	1,500	1,500	1,500
Deferred tax liability	1,544	1,523	1,077	941	884	876	1,261	1,261	1,261	1,261
Other long-term liabilities	1	1	1	1	2	2	509	509	509	509
Trade payables	1,614	1,393	1,162	2,241	2,190	2,489	2,981	3,398	3,892	4,473
Provisions	137	128	118	159	206	225	330	330	330	330
Other current liabilities	1,098	1,408	1,755	1,230	1,970	1,930	3,237	3,237	3,237	3,237
Total liabilities	16,669	18,406	18,507	21,979	25,958	30,598	38,649	67,125	73,470	80,897
Net fixed assets	7,619	8,589	9,790	11,240	13,557	15,029	19,624	20,565	21,216	21,976
Goodwill	1,758	1,758	1,758	1,758	1,758	1,758	3,518	3,518	3,518	3,518
Non-current investments	1,218	328	19	—	—	45	100	789	1,477	2,166
Other long-term assets	349	508	622	771	890	764	1,335	1,580	1,874	2,227
Inventories	1,885	1,838	1,962	3,056	3,634	3,229	3,475	3,398	3,892	4,473
Trade receivables	2,382	2,733	2,336	4,170	4,452	6,089	6,483	6,797	7,785	8,946
Cash	435	615	1,673	276	773	698	2,742	28,893	31,871	35,449
Other current assets	1,024	2,036	347	708	894	2,986	1,373	1,584	1,837	2,141
Total assets	16,669	18,406	18,507	21,979	25,958	30,598	38,649	67,125	73,470	80,897
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	2,426	2,937	3,089	3,498	5,336	5,963	7,572	7,706	8,443	9,815
Working capital changes	(504)	(247)	4	(2,070)	(890)	(630)	(644)	(276)	(1,535)	(1,818)
Net financial income	(190)	(168)	(238)	(296)	7	(49)	(43)	926	1,720	1,978
Cash flow from operations	1,732	2,522	2,855	1,131	4,453	5,284	6,885	8,355	8,628	9,975
Capital expenditure	(1,130)	(1,164)	(2,241)	(2,189)	(3,472)	(3,352)	(3,195)	(3,500)	(3,500)	(4,000)
Free cash flow	602	1,358	614	(1,058)	981	1,932	3,690	4,166	4,439	5,286
Ratios										
Gross margin	61.4	59.5	57.9	58.8	55.6	54.1	56.9	56.2	55.5	55.8
EBITDA margin (%) - including ESOP costs	28.2	28.9	26.7	28.2	26.2	25.4	28.3	27.3	26.6	27.0
EBITDA margin (%) - excluding ESOP costs	28.2	28.9	26.7	28.2	26.2	25.5	28.8	28.2	27.2	27.4
PAT margin (%)	14.0	14.9	18.2	14.4	16.5	14.2	16.5	17.1	18.0	18.3
Net debt/equity (X)	0.1	0.0	0.1	0.2	(0.0)	(0.0)	(0.0)	(0.5)	(0.5)	(0.5)
RoAE (%)		18.1	18.2	17.7	20.8	17.6	20.6	14.2	12.2	12.9
RoACE (%)		18.9	13.3	17.1	16.7	16.6	19.4	18.5	19.1	20.4
Adjusted RoACE (%) - excl. Goodwill and Customer Relationship	24.4	17.3	25.1	27.8	27.2	30.8	27.9	27.6	28.3	28.3

Source: Company, Kotak Institutional Equities estimates

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

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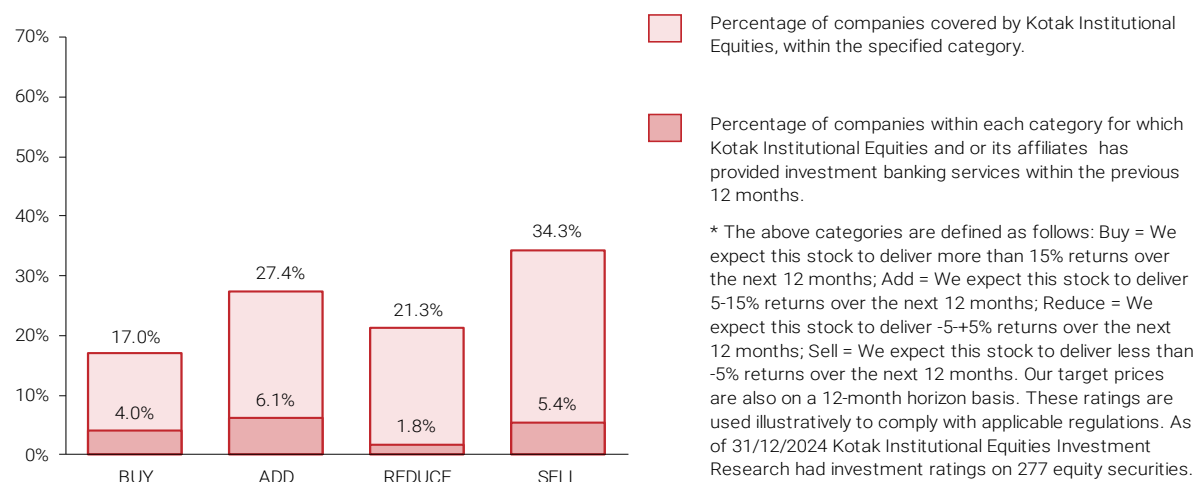
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