

Sona BLW Precision Forgings | BUY

Healthy quarter; available at reasonable valuation



In 2QFY26, Sona BLW reported an EBITDA margin of 25.3% (-230bps YoY, +150bps QoQ), 150bps above JMFe, driven by positive operating leverage. EV business growth (down 17% YoY) was impacted due to demand slowdown at a key customer and rare-earth magnet supply constraints. In terms of demand outlook, three direct competitors (Driveline - differential assembly or differential gear makers) from the EU have filed for insolvency proceedings, leading to an increase in enquiries from the region. The company is hopeful of securing new orders going forward. Further, the company has won its first programme worth INR 2.6bn for Driveline from the Mexico plant to supply differential assembly for a North American recreational vehicle OEM. Additionally, from ClearMotion, Sona BLW received nominations worth INR 8.2bn for the suspension motor that opens up new growth opportunities. The future growth in the railway division is expected from upcoming product launches like automatic plug door, HVAC systems, etc. Factoring in the lower margin profile of the railway division, the management has guided for an EBITDA margin range of 24-26%. We maintain BUY rating with Mar'27 TP of INR 570 (35x FY27E EPS).

- **2QFY26 – beat led by operating leverage:** Sona BLW reported consolidated revenue of INR 11.4bn (+23.6% YoY, +34.4% QoQ), 6.7% above JMFe. The growth in revenue was due to consolidation of revenue from the railway division, the first full quarter after acquisition. However, the slowdown in EVs slowdown continues. EBITDA margin stood at 25.3% (-230bps YoY, +150bps QoQ), 150bps above JMFe driven by operating leverage. Reported EBITDA came in at INR 2.9bn (+13.4% YoY, +42.7% QoQ), 13.3% above JMFe. Adj. PAT stood at INR 1.7bn (+12.6% YoY, +30.3% QoQ), 4.9% above JMFe.
- **EV business update for 2Q:** EV revenue during 2Q declined 17% YoY to INR 2.6bn. The decline in the EV business is attributed to demand slowdown at a key customer and rare-earth magnet constraints. Share of BEV revenue stood at 32% during 2Q (28% in 1QFY26). During 2QFY26, from ClearMotion, Sona BLW received nominations worth INR 6.4bn (SOP: 2QFY27) from an existing New Age Asian customer for electric PV and INR 1.8bn (SOP: 2QFY27) from a new European OEM of luxury performance PVs. These orders are for suspension motors. With these additions, the company now has 62 EV programmes with 32 different customers. Of these, 14 programmes are in the ramp-up phase, and production is yet to commence for 29 others. Regarding rare-earth magnet (REM) supply constraints, the management indicated that it has designed and developed a rare-earth-free Ferrite Assisted Synchronous Reluctance Motor (FeSynRM Motor) that has applications in 2Ws, 3Ws, and LCVs. Though the weight of these motors is higher, the cost is lower compared to motors that use REM.
- **Growth in the railway division will be driven by new products:** Railway division contributed ~11% to the total revenue for 1HFY26. As of 2QFY26, the Railway division has an order book of INR 13bn, to be executed largely within 12 months. The company is already a leader in railway brake systems and has a strong position in suspension and coupler as well. The management indicated that the next leg of growth from the division is expected to come from new products that are expected to be launched, such as the railway automatic plug door system, railway HVAC system, etc.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	570
Upside/(Downside)	17.8%
Previous Price Target	580
Change	-1.7%

Key Data – SONACOMS IN

Current Market Price	INR484
Market cap (bn)	INR300.8/US\$3.4
Free Float	64%
Shares in issue (mn)	586.4
Diluted share (mn)	621.7
3-mon avg daily val (mn)	INR1,804.3/US\$20.4
52-week range	721/380
Sensex/Nifty	84,779/25,966
INR/US\$	88.2

Price Performance

%	1M	6M	12M
Absolute	18.9	6.7	-30.8
Relative*	12.8	-0.3	-35.2

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	31,848	35,545	49,881	62,455	71,374
Sales Growth (%)	19.0	11.6	40.3	25.2	14.3
EBITDA	9,021	9,753	12,470	16,316	18,933
EBITDA Margin (%)	28.3	27.4	25.0	26.1	26.5
Adjusted Net Profit	5,260	6,205	7,483	10,118	12,106
Diluted EPS (INR)	9.0	10.0	12.0	16.3	19.5
Diluted EPS Growth (%)	31.7	11.3	20.6	35.2	19.6
ROIC (%)	20.4	16.6	18.3	22.5	25.1
ROE (%)	21.3	15.2	13.0	15.7	16.4
P/E (x)	54.0	48.5	40.2	29.7	24.9
P/B (x)	10.7	5.5	5.0	4.4	3.8
EV/EBITDA (x)	31.7	27.3	21.3	16.0	13.3
Dividend Yield (%)	0.6	0.7	0.7	0.7	0.7

Source: Company data, JM Financial. Note: Valuations as of 27/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

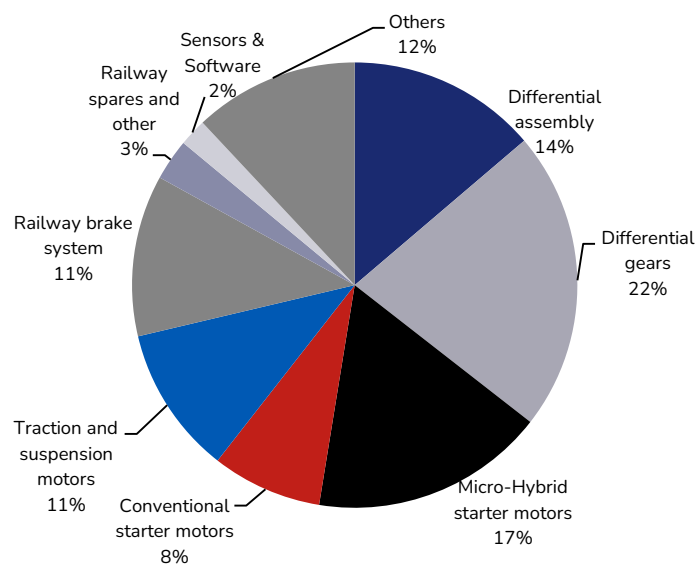
- **Demand outlook:** Although demand uncertainties persist, several factors could help Sona BLW navigate the near-term challenges. Three direct competitors (Driveline – differential assembly or differential gear makers) from the EU have filed for insolvency proceedings, leading to an increase in enquiries from the region. The company is hopeful of securing new orders going forward. Further, the company has won its first programme worth INR 2.6bn for Driveline from the Mexico plant to supply differential assembly for a North American recreational vehicle OEM. Additionally, from ClearMotion, Sona BLW received nominations worth INR 8.2bn for the suspension motor that opens up new growth opportunities.
- **Margin outlook:** In 2QFY26, the company's EBITDA margin declined by 230bps YoY to 25.3%, primarily due to negative operating leverage and an unfavourable product mix. The inclusion of the railway equipment business, which operates at a lower EBITDA margin of ~18%, from Jun'25 is expected to moderate overall margins, going forward. The management guided for EBITDA margin in the range of 24-26%.
- **Other Highlights:** 1) The impact of Nexperia is limited, as Sona Comstar has lower exposure to EU-PV. 2) The Novelis fire has had an impact, though not very significant, on one of the company's larger customers, Ford. Sona BLW supplies components for the 250, 350, and F-650 diesel models. 3) The management indicated that the China JV with JNT is in abeyance due to geopolitical reasons, and will remain so until conditions change. The company is pursuing this with a high degree of caution. Meanwhile, with the existing plant in China, it will continue its current operations. 4) On partnership with NEURA Robotics, the management mentioned Humanoids (face – has more moving parts and joints) and robots, including Cobots (cognitive robots) and industrial robots, will take longer than 3-4 years to start contributing to the business. By 2040, the industry might be larger than the entire automotive industry.

Exhibit 1. Quarterly financial performance - consolidated

(INR mn)	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	Q2FY26E	Var (%)
Sales	11,435	9,251	23.6	8,509	34.4	10,721	6.7
RM	5,465	4,069	34.3	3,792	44.1	4,771	14.6
as a % of sales	47.8	44.0	380bps	44.6	320bps	44.5	330bps
Employee Exp	1,030	790	30.4	878	17.4	1,104	(6.7)
as a % of sales	9.0	8.5	50bps	10.3	-130bps	10.3	-130bps
Other Costs	2,049	1,842	11.2	1,814	13.0	2,294	(10.7)
as a % of sales	17.9	19.9	-200bps	21.3	-340bps	21.4	-350bps
Expenditure	8,545	6,702	27.5	6,483	31.8	8,170	4.6
EBITDA	2,891	2,549	13.4	2,026	42.7	2,552	13.3
EBITDA Margin (%)	25.3	27.6	-230bps	23.8	150bps	23.8	150bps
Other Income	170	210	(19.3)	442	(62)	400	(57.6)
Interest	52	106	(51.1)	53	(3)	55	(6.1)
Depreciation	716	626	14.4	670	7	680	5.3
PBT	2,292	2,028	13.0	1,744	31	2,217	3.4
Tax	571	482	18.4	435	31	554	3.0
Exceptional item	-17	(110)		-92		-	
Min interest/share of profit	-23.1	-3.7		-30.0		0.0	
PAT (Adjusted)	1,744	1,550	12.6	1,339	30.3	1,663	4.9
EPS (INR)	2.8	2.5	12.5	2.2	30.3	2.7	4.9

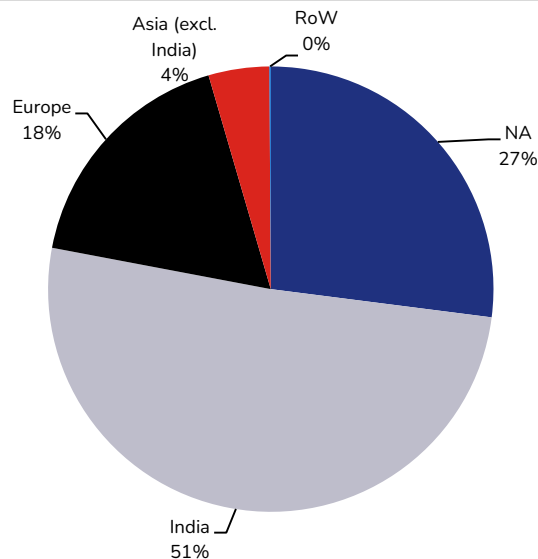
Source: Company, JM Financial

Exhibit 2. 2QFY26 revenue mix - by product



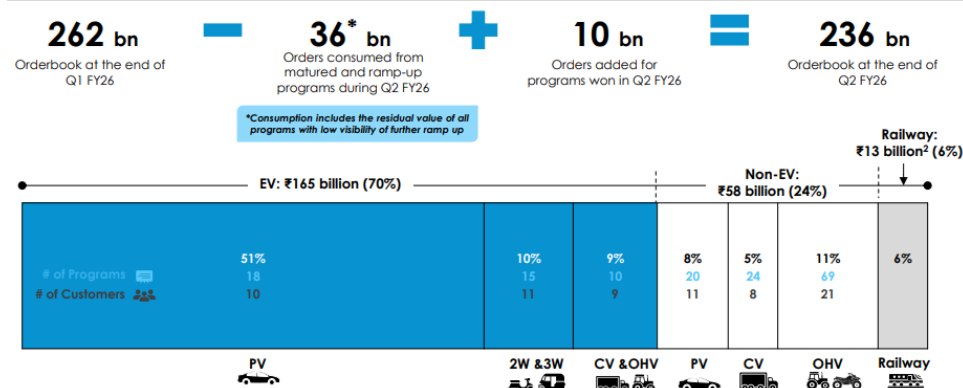
Source: Company, JM Financial

Exhibit 3. 2QFY26 revenue mix - by geography



Source: Company, JM Financial

Exhibit 4. Net order book at INR 236bn



Source: Company, JM Financial

Note: 1. Net order book means the aggregate revenue from awarded programs which are either yet to start production or are yet to fully ramp up, in the next 10 years, after adjusting for the negative impact of all programs that are expected to reach end of life or be phased out. We have also applied a discount to accommodate any unforeseen delays or changes in program launches that may happen in the future.

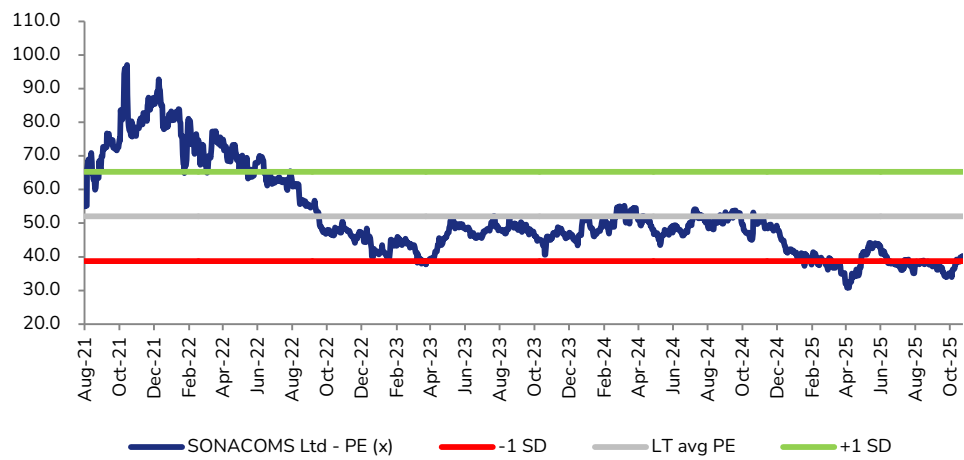
2. Railway business order book is based on the purchase orders received from the customers to be executed largely within next 12 months.

Exhibit 5. Sona BLW Precision Forgings - Change in estimates

Sona BLW	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	35,545	49,881	62,455	35,545	50,886	63,676	0.0%	-2.0%	-1.9%
EBITDA (INR mn)	9,753	12,470	16,316	9,753	12,534	16,531	0.0%	-0.5%	-1.3%
EBITDA Margin (%)	27.4%	25.0%	26.1%	27.4%	24.6%	26.0%	0bps	40bps	10bps
PAT (INR mn)	6,205	7,483	10,118	6,205	7,531	10,281	0.0%	-0.6%	-1.6%
EPS (INR mn)	10.0	12.0	16.3	10.0	12.1	16.5	0.0%	-0.6%	-1.6%

Source: Company, JM Financial

Exhibit 6. 1-yr forward PE chart



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	31,848	35,545	49,881	62,455	71,374
Sales Growth	19.0%	11.6%	40.3%	25.2%	14.3%
Other Operating Income	0	0	0	0	0
Total Revenue	31,848	35,545	49,881	62,455	71,374
Cost of Goods Sold/Op. Exp	13,741	15,447	23,045	28,292	32,047
Personnel Cost	2,501	3,150	4,390	5,356	6,119
Other Expenses	6,584	7,195	9,976	12,491	14,275
EBITDA	9,021	9,753	12,470	16,316	18,933
EBITDA Margin	28.3%	27.4%	25.0%	26.1%	26.5%
EBITDA Growth	29.6%	8.1%	27.9%	30.8%	16.0%
Depn. & Amort.	2,202	2,544	3,079	3,560	3,800
EBIT	6,819	7,209	9,391	12,756	15,134
Other Income	239	1,269	631	751	1,001
Finance Cost	258	302	110	105	101
PBT before Excep. & Forex	6,800	8,176	9,912	13,402	16,034
Excep. & Forex Inc/Loss(-)	-87	-193	0	0	0
PBT	6,713	7,983	9,912	13,402	16,034
Taxes	1,535	1,986	2,428	3,283	3,928
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	5	-15	0	0	0
Reported Net Profit	5,173	6,012	7,483	10,118	12,106
Adjusted Net Profit	5,260	6,205	7,483	10,118	12,106
Net Margin	16.5%	17.5%	15.0%	16.2%	17.0%
Diluted Share Cap. (mn)	586.4	621.7	621.7	621.7	621.7
Diluted EPS (INR)	9.0	10.0	12.0	16.3	19.5
Diluted EPS Growth	31.7%	11.3%	20.6%	35.2%	19.6%
Total Dividend + Tax	1,795	1,989	1,989	1,989	1,989
Dividend Per Share (INR)	3.1	3.2	3.2	3.2	3.2

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	6,713	7,983	9,912	13,402	16,034
Depn. & Amort.	2,202	2,544	3,079	3,560	3,800
Net Interest Exp. / Inc. (-)	-209	-805	-631	-751	-1,001
Inc (-) / Dec in WCap.	-644	-556	-1,062	-2,780	-2,041
Others	418	325	110	105	101
Taxes Paid	-1,553	-1,740	-2,428	-3,283	-3,928
Operating Cash Flow	6,928	7,752	8,980	10,253	12,964
Capex	-3,191	-4,155	-5,000	-4,000	-4,000
Free Cash Flow	3,736	3,597	3,980	6,253	8,964
Inc (-) / Dec in Investments	-1,728	-14,101	-3,549	-4,041	-6,043
Others	204	602	631	751	1,001
Investing Cash Flow	-4,715	-17,654	-7,918	-7,290	-9,042
Inc / Dec (-) in Capital	40	23,932	0	0	0
Dividend + Tax thereon	-1,793	-1,892	-1,989	-1,989	-1,989
Inc / Dec (-) in Loans	33	-2,313	-657	-368	-89
Others	-24	-259	-78	-16	44
Financing Cash Flow	-1,743	19,467	-2,725	-2,374	-2,035
Inc / Dec (-) in Cash	469	9,565	-1,662	588	1,887
Opening Cash Balance	441	910	10,475	8,813	9,401
Closing Cash Balance	910	10,475	8,813	9,401	11,288

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	26,503	54,948	60,441	68,570	78,687
Share Capital	5,864	6,217	6,217	6,217	6,217
Reserves & Surplus	20,639	48,731	54,224	62,353	72,469
Preference Share Capital	0	0	0	0	0
Minority Interest	1,498	1,499	1,499	1,499	1,499
Total Loans	4,121	2,022	1,365	997	907
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	32,122	58,470	63,306	71,067	81,093
Net Fixed Assets	19,624	21,949	23,870	24,310	24,510
Gross Fixed Assets	23,027	27,278	32,278	36,278	40,278
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	7,040	9,524	12,603	16,163	19,963
Capital WIP	3,636	4,195	4,195	4,195	4,195
Investments	527	9,181	10,681	14,681	20,681
Current Assets	18,499	34,241	37,305	41,839	46,622
Inventories	3,475	3,487	5,202	6,386	7,234
Sundry Debtors	6,483	7,052	9,896	12,391	14,160
Cash & Bank Balances	2,742	13,016	11,354	11,942	13,829
Loans & Advances	0	0	0	0	0
Other Current Assets	5,799	10,686	10,854	11,120	11,400
Current Liab. & Prov.	6,527	6,901	8,550	9,763	10,720
Current Liabilities	4,936	5,236	6,928	8,132	9,029
Provisions & Others	1,591	1,666	1,622	1,631	1,691
Net Current Assets	11,972	27,340	28,755	32,076	35,902
Total - Assets	32,122	58,470	63,306	71,067	81,093

Source: Company, JM Financial

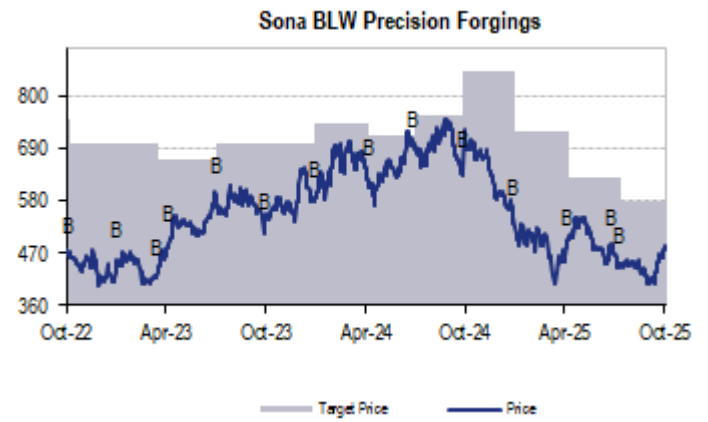
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.5%	17.5%	15.0%	16.2%	17.0%
Asset Turnover (x)	1.1	0.8	0.8	0.9	0.9
Leverage Factor (x)	1.2	1.1	1.1	1.1	1.1
RoE	21.3%	15.2%	13.0%	15.7%	16.4%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	45.2	88.4	97.2	110.3	126.6
ROIC	20.4%	16.6%	18.3%	22.5%	25.1%
ROE	21.3%	15.2%	13.0%	15.7%	16.4%
Net Debt/Equity (x)	0.0	-0.3	-0.3	-0.4	-0.4
P/E (x)	54.0	48.5	40.2	29.7	24.9
P/B (x)	10.7	5.5	5.0	4.4	3.8
EV/EBITDA (x)	31.7	27.3	21.3	16.0	13.3
EV/Sales (x)	9.0	7.5	5.3	4.2	3.5
Debtor days	74	72	72	72	72
Inventory days	40	36	38	37	37
Creditor days	79	74	68	64	63

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-Aug-21	Buy	570	
28-Oct-21	Buy	700	22.8
1-Feb-22	Buy	750	7.1
5-May-22	Buy	750	0.0
15-Jun-22	Buy	750	0.0
28-Jul-22	Buy	750	0.0
30-Oct-22	Buy	700	-6.7
25-Jan-23	Buy	700	0.0
10-Apr-23	Buy	665	-5.0
3-May-23	Buy	665	0.0
27-Jul-23	Buy	700	5.3
25-Oct-23	Buy	700	0.0
23-Jan-24	Buy	740	5.7
1-May-24	Buy	715	-3.4
24-Jul-24	Buy	760	6.3
23-Oct-24	Buy	850	11.8
23-Jan-25	Buy	725	-14.7
1-May-25	Buy	630	-13.1
20-Jul-25	Buy	630	0.0
4-Aug-25	Buy	580	-7.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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