

Sona BLW Precision Forgings | BUY



Broadly in-line qtr; Breakthrough in newer geographies remain key

Sona BLW Precision Forgings (Sona Comstar) revenue was 2% above JMFe. EBITDAM at 27% was 20bps below JMFe. Margin decline (-230bps YoY) was due to unfavourable mix. Management indicated that light vehicle market (across most geographies barring EU) remained steady. However, weak OHV / CV demand in US / India is expected to drag on performance. EV continues to drive growth and its revenue share stood at 39% during 3Q. Strong net order book (INR 232bn as on Dec'24) and consistent expansion in product portfolio is expected to support growth despite slowdown in underlying market. New order win from OEMs beyond its current markets (US, EU and India) can accelerate growth momentum. Diversified revenue, increasing share of EVs and strong order book makes Sona Comstar one of the best plays in the EV space. We expect it to post a 27% / 28% revenue / EPS CAGR over FY24-27E. Maintain BUY rating with Mar'26 TP of INR 725 (DCF based). Key risks are slower adoption of EVs and inability to win new customers/orders.

- 3QFY25 - Broadly in-line operating performance:** Sona Comstar reported consolidated revenue of INR 8.7bn (+12% YoY, -6%QoQ), 2% above JMFe led by new order execution. Total revenue growth was ahead of the light vehicle sales growth in key markets (NA, India & Europe) owing to scale-up of revenue from new programs. EBITDA margin stood at 27% (-230bps YoY, -60bps QoQ), 20bps below JMFe due to unfavourable mix. Reported EBITDA came-in at INR 2.34bn (+3% YoY, -8% QoQ), broadly in-line with JMFe. PAT stood at INR 1.56bn (+17%YoY, +1%QoQ), 11% above JMFe owing to higher than expected other income.
- Investment in ClearMotion Inc:** The Company's board has approved USD 4mn investment (1.5% stake) in ClearMotion Inc, a leading software-defined chassis company. Sona Comstar is a key supplier for ClearMotion. Sona Comstar's BLDC motor-controller-based actuator controls ClearMotion's active suspension technology (Sona is a large part of the BOM cost). This technology has 5x lower latency compared to the other existing alternatives in the market. ClearMotion has successfully commercialised this technology (supplies to Chinese EV OEM – Nio ET9). Management expects premium cars / EVs to adopt this technology first (TAM: USD 14bn; EV agnostic) before gradual adoption in mass volume segment. Customer pipeline remains strong for this technology.
- EV business update for 3Q:** EV revenue during 3Q increased +48% YoY (+c.4% QoQ) to INR 3.3bn. Growth in EV business was due to ramp-up of new programs. Share of BEV revenue stood at 39% during 3Q (35% in 1HFY25). During the quarter, the company added one new EV program to supply differential assemblies for electric PVs worth INR 3bn to an existing customer. With this addition, the company now has 57 EV programs with 32 different customers. Of these, 14 programs are in ramp-up phase and production is yet to commence for 28 programs.
- Demand outlook:** Light Vehicle production grew by 1% across key geographies like North America, EU and India. Management indicated that US EV penetration may remain slow. And in case of EU, while EV penetration will deepen, underlying market growth may be a challenge. EV differential assembly and E2W Traction Motor business continue to drive the momentum as muted India CV and US OHV demand impacted gears business. Near-

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(we acknowledge the support services of Sahil Malik in preparation of this report)

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	725
Upside/(Downside)	33.6%
Previous Price Target	850
Change	-14.7%

Key Data – SONACOMS IN

Current Market Price	INR543
Market cap (bn)	INR337.2/US\$3.9
Free Float	63%
Shares in issue (mn)	586.4
Diluted share (mn)	621.4
3-mon avg daily val (mn)	INR1,342.8/US\$15.5
52-week range	769/529
Sensex/Nifty	76,520/23,205
INR/US\$	86.5

Price Performance

%	1M	6M	12M
Absolute	-7.1	-22.3	-6.4
Relative*	-4.7	-18.3	-14.0

* To the BSE Sensex

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	25,875	31,166	35,347	51,836	64,107
Sales Growth (%)	26.1	20.4	13.4	46.7	23.7
EBITDA	6,958	9,021	10,012	14,262	18,181
EBITDA Margin (%)	26.0	28.3	27.8	26.9	27.5
Adjusted Net Profit	3,953	5,265	6,204	8,960	11,597
Diluted EPS (INR)	6.8	9.0	10.0	14.4	18.7
Diluted EPS Growth (%)	21.9	32.9	11.2	44.4	29.4
ROIC (%)	18.4	20.5	19.8	22.3	22.2
ROE (%)	18.4	21.3	15.3	15.6	18.1
P/E (x)	80.4	60.5	54.4	37.7	29.1
P/B (x)	13.9	12.0	6.2	5.6	5.0
EV/EBITDA (x)	45.7	35.6	29.2	21.5	16.6
Dividend Yield (%)	0.4	0.6	0.6	0.9	1.2

Source: Company data, JM Financial. Note: Valuations as of 23/Jan/2025

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term (4Q) growth may get impacted due to model-change related production ramp-down at one of its key EV customer (gradual recovery from Mar'25). Focus is also on winning new business from Chinese, Korean and Japanese automakers. Aggregate value of the net order book increased by INR 1bn QoQ to INR 232bn (added / consumed INR 7bn / INR 6bn worth new orders); orders for EV/ PHEVs stood at 76% of the net order book as at the end of 3Q amounting to INR 176bn. Management indicated that barring couple of EV program where there has been delays (one each in India & EU), most of the OEM program are on schedule.

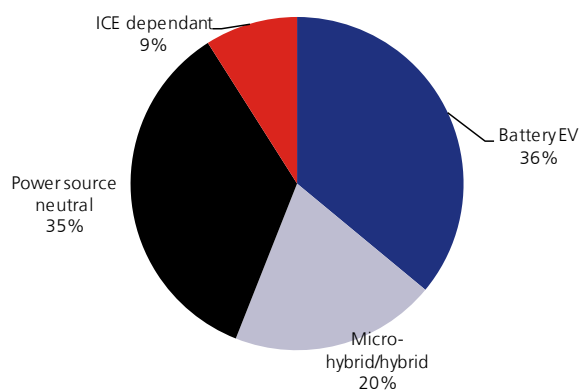
- **Other highlights:** 1) Exceptional item includes INR 57mn for acquisition related costs. 2) Company expects the acquisition of railway equipment division of Escorts Kubota to complete by Sep'25. 3) Company has been approved for PLI benefit on multiple products (E2Ws / E3Ws) and is evaluating its recognition policy (i.e. whether to recognise on accrual or receipt basis?).

Exhibit 1. Quarterly financial performance - consolidated

(INR mn)	Q3FY25	Q3FY24	% YoY	Q2FY25	% QoQ	Q3FY25	Var (%)
Sales	8,680	7,766	11.8	9,251	(6.2)	8,511	2.0
RM	3,826	3,177	20.4	4,069	(6.0)	3,728	2.6
as a % of sales	44.1	40.9	320bps	44.0	10bps	43.8	30bps
Employee Exp	816	732	11.4	790	3.3	766	6.5
as a % of sales	9.4	9.4	0bps	8.5	90bps	9.0	40bps
Other Costs	1,696	1,583	7.1	1,842	(8.0)	1,702	(0.4)
as a % of sales	19.5	20.4	-90bps	19.9	-40bps	20.0	-50bps
Expenditure	6,337	5,493	15.4	6,702	(5.4)	6,196	2.3
EBITDA	2,342	2,273	3.1	2,549	(8.1)	2,315	1.2
EBITDA Margin (%)	27.0	29.3	-230bps	27.6	-60bps	27.2	-20bps
Other Income	468	50	834.5	210	123	225	108.0
Interest	58	73	(21.4)	106	(45)	70	(17.6)
Depreciation	666	559	19.0	626	6	638	4.3
PBT	2,087	1,690	23.5	2,028	3	1,832	13.9
Tax	523	354	47.5	482	8	421	24.1
Exceptional item	-57	-		-110		-	
PAT (Adjusted)	1,564	1,336	17.1	1,546	1.2	1,411	10.9
EPS (INR)	2.5	2.3	10.5	2.5	1.1	2.3	10.8

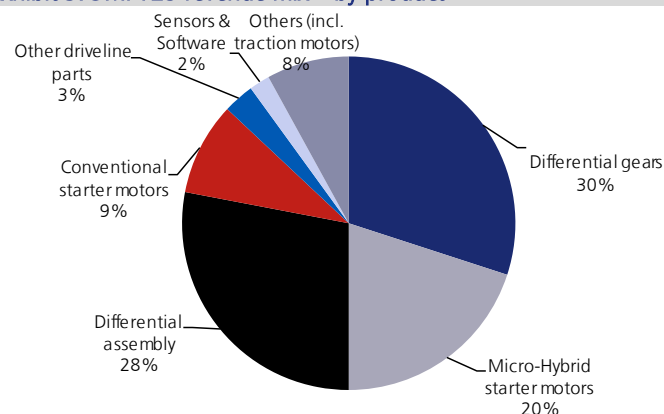
Source: Company, JM Financial

Exhibit 2. 9MFY25 revenue mix – by powertrain



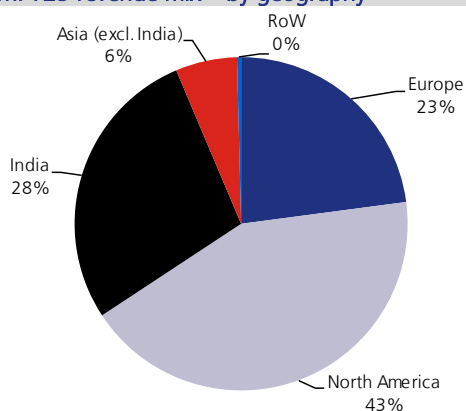
Source: Company, Industry

Exhibit 3. 9MFY25 revenue mix – by product



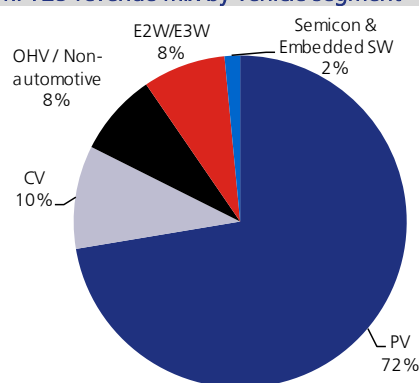
Source: Company, Industry

Exhibit 4. 9MFY25 revenue mix – by geography



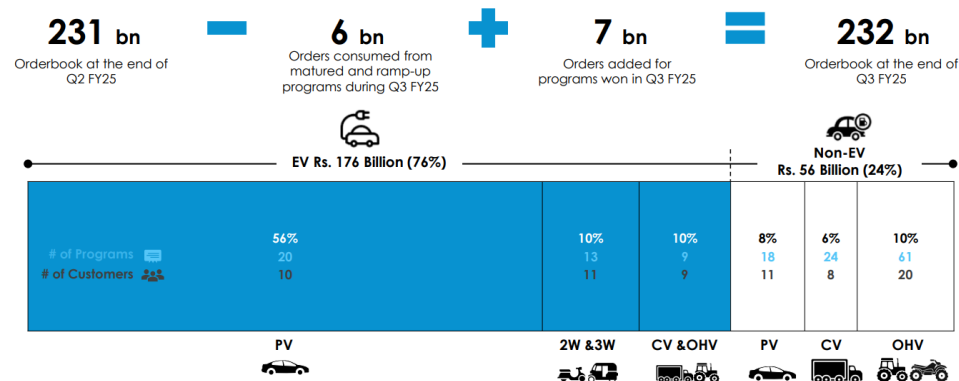
Source: Company, JM Financial

Exhibit 5. 9MFY25 revenue mix by vehicle segment



Source: Company, JM Financial

Exhibit 6. Net order book at INR 232bn over next 10 years



Source: Company, JM Financial; Note: 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. The company has also applied a discount to accommodate any unforeseen delays or changes in program launches that may happen in the future.

Exhibit 7. DCF based valuation

	Value (INR bn)	Per share value (INR)
Enterprise value (based on DCF)	423	681
Less: Net debt (FY24)	-29	-46
Fair value		725

Source: Company, JM Financial

Exhibit 8. Sona BLW Precision Forgings - Change in estimates

Sona Comstar	New assumption			Old assumption			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	36,053	53,009	66,104	38,696	60,372	72,472	-6.8%	-12%	-8.8%
EBITDA (INR mn)	10,012	14,262	18,181	10,834	16,178	20,090	-7.6%	-12%	-9.5%
EBITDAM (%)	27.8%	26.9%	27.5%	28.0%	26.8%	27.7%	-20bps	10bps	-10bps
PAT (INR mn)	6,204	8,960	11,597	6,782	10,258	12,848	-8.5%	-12.7%	-9.7%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	25,875	31,166	35,347	51,836	64,107	
Sales Growth	26.1%	20.4%	13.4%	46.7%	23.7%	
Other Operating Income	881	682	707	1,174	1,998	
Total Revenue	26,756	31,848	36,053	53,009	66,104	
Cost of Goods Sold/Op. Exp	12,200	13,741	16,131	25,313	31,629	
Personnel Cost	1,804	2,501	2,463	3,564	4,338	
Other Expenses	5,794	6,584	7,447	9,870	11,956	
EBITDA	6,958	9,021	10,012	14,262	18,181	
EBITDA Margin	26.0%	28.3%	27.8%	26.9%	27.5%	
EBITDA Growth	24.5%	29.6%	11.0%	42.4%	27.5%	
Depn. & Amort.	1,780	2,202	2,571	2,843	3,394	
EBIT	5,178	6,819	7,441	11,418	14,787	
Other Income	116	239	1,014	789	909	
Finance Cost	169	258	345	340	335	
PBT before Excep. & Forex	5,125	6,800	8,110	11,868	15,360	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	5,125	6,800	8,110	11,868	15,360	
Taxes	1,171	1,535	1,906	2,908	3,763	
Extraordinary Inc./Loss(-)	0	-87	-110	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	3,953	5,178	6,094	8,960	11,597	
Adjusted Net Profit	3,953	5,265	6,204	8,960	11,597	
Net Margin	14.8%	16.5%	17.2%	16.9%	17.5%	
Diluted Share Cap. (mn)	585.4	586.4	621.4	621.4	621.4	
Diluted EPS (INR)	6.8	9.0	10.0	14.4	18.7	
Diluted EPS Growth	21.9%	32.9%	11.2%	44.4%	29.4%	
Total Dividend + Tax	1,200	1,795	2,112	3,105	4,019	
Dividend Per Share (INR)	2.1	3.1	3.4	5.0	6.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	5,125	6,800	8,110	11,868	15,360	
Depn. & Amort.	1,780	2,202	2,571	2,843	3,394	
Net Interest Exp. / Inc. (-)	169	258	345	340	335	
Inc (-) / Dec in WCap.	-646	-147	-973	-3,706	-3,138	
Others	0	1,411	-110	0	0	
Taxes Paid	-1,171	-1,535	-1,906	-2,908	-3,763	
Operating Cash Flow	5,257	8,989	8,037	8,437	12,189	
Capex	-3,252	-6,796	-1,417	-9,146	-3,688	
Free Cash Flow	2,004	2,192	6,620	-709	8,502	
Inc (-) / Dec in Investments	-2,288	1,891	-26,500	14,500	-4,000	
Others	0	-1,760	0	-10,000	0	
Investing Cash Flow	-5,541	-6,666	-27,917	-4,646	-7,688	
Inc / Dec (-) in Capital	11	10	350	0	0	
Dividend + Tax thereon	-1,200	-1,795	-2,112	-3,105	-4,019	
Inc / Dec (-) in Loans	1,271	911	-434	-425	-416	
Others	128	593	23,727	66	70	
Financing Cash Flow	210	-280	21,531	-3,464	-4,366	
Inc / Dec (-) in Cash	-74	2,043	1,650	327	136	
Opening Cash Balance	773	698	2,742	4,392	4,719	
Closing Cash Balance	698	2,742	4,392	4,719	4,854	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	22,902	26,503	54,499	60,354	67,931	
Share Capital	5,854	5,864	6,214	6,214	6,214	
Reserves & Surplus	17,048	20,639	48,285	54,139	61,717	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	1,498	1,498	1,498	1,498	
Total Loans	2,952	4,121	4,032	3,947	3,866	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
Total - Equity & Liab.	25,854	32,122	60,029	65,798	73,295	
Net Fixed Assets	15,029	19,624	18,469	24,772	25,065	
Gross Fixed Assets	19,253	23,324	24,741	33,887	37,575	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	5,135	7,337	9,908	12,752	16,146	
Capital WIP	911	3,636	3,636	3,636	3,636	
Investments	2,418	527	27,027	12,527	16,527	
Current Assets	13,151	18,499	22,209	38,188	42,937	
Inventories	3,229	3,475	4,832	7,349	9,668	
Sundry Debtors	6,089	6,483	7,072	10,087	12,256	
Cash & Bank Balances	698	2,742	4,392	4,719	4,854	
Loans & Advances	0	0	0	0	0	
Other Current Assets	3,134	5,799	5,913	16,033	16,159	
Current Liab. & Prov.	4,744	6,527	7,677	9,688	11,234	
Current Liabilities	3,629	4,936	6,006	7,935	9,393	
Provisions & Others	1,115	1,591	1,670	1,754	1,842	
Net Current Assets	8,406	11,972	14,532	28,499	31,703	
Total - Assets	25,854	32,122	60,029	65,798	73,295	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	14.8%	16.5%	17.2%	16.9%	17.5%	
Asset Turnover (x)	1.1	1.1	0.8	0.8	0.9	
Leverage Factor (x)	1.1	1.2	1.2	1.1	1.1	
RoE	18.4%	21.3%	15.3%	15.6%	18.1%	

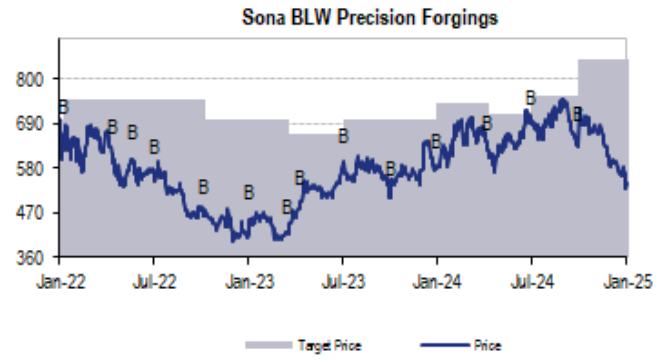
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	39.1	45.2	87.7	97.1	109.3	
ROIC	18.4%	20.5%	19.8%	22.3%	22.2%	
ROE	18.4%	21.3%	15.3%	15.6%	18.1%	
Net Debt/Equity (x)	0.0	0.0	-0.5	-0.2	-0.3	
P/E (x)	80.4	60.5	54.4	37.7	29.1	
P/B (x)	13.9	12.0	6.2	5.6	5.0	
EV/EBITDA (x)	45.7	35.6	29.2	21.5	16.6	
EV/Sales (x)	11.9	10.1	8.1	5.8	4.6	
Debtor days	83	74	72	69	68	
Inventory days	44	40	49	51	53	
Creditor days	67	79	84	75	72	

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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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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