

Sona BLW Precision Forgings | BUY

Broadly in-line; Robust order backlog to drive growth

Sona BLW Precision Forgings (Sona Comstar) revenue was 2% above JMFe. EBITDAM at 28.1% was in-line. YoY margin improvement (+30bps) was led by favourable mix and higher operating leverage. Management indicated that light vehicle market (across most geographies barring EU) remained steady. However, weak OHV demand (India and US) is expected to be a drag on the performance. EV revenue grew 53% QoQ and the share of EV revenue stood at 33% during 1Q (29% in FY24) as the company continues to win new EV orders (c.79% of net order book). Strong net order book (INR 233bn as on Jun'24) and consistent expansion in product portfolio is expected to aid growth. Further, the company is evaluating inorganic opportunities which can help expand its product / technological capabilities (approved fund raise of up to INR24bn). Positive operating leverage is expected to support margins. Diversified revenue, increasing share of EVs/Hybrids and strong order book makes Sona Comstar one of the best plays in the EV space. We expect it to post a c.24% / 29% revenue / EPS CAGR over FY24-27E. Maintain BUY rating with Sept'25 TP of INR 760 (DCF based). Key risks are slower adoption of EVs and inability to win new customers/orders.

- 1QFY25 – Broadly in-line performance:** Sona Comstar reported consolidated revenue of INR 8.9bn (+22% YoY, +1%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 28.1% (+30bps YoY, +10bps QoQ), in-line with JMFe. YoY margin improvement was led by favourable product mix and higher operating leverage partially offset by higher freight cost. EBITDA came-in at INR 2.5bn (+24% YoY, +1% QoQ), 2% above JMFe. PAT stood at INR 1.4bn (+23%YoY, -4%QoQ), broadly in-line with JMFe.
- EV business:** EV revenue during 1Q increased +53% YoY (+4% QoQ) to INR 2.8bn. Sequential improvement in EV business was due to ramp-up of new programs. Share of BEV revenue stood at 33% during 1Q (29% in FY24). During the quarter, the company added one new EV program - to supply In-Cabin Sensors (ACAM) for an electric car worth INR ~1.5bn (SOP in Q3FY27) for a new-age OEM customer in Asian region. The company also added order worth INR 6.8bn to supply driveline products for Class 5 electric CV for an existing OEM customer based in NA (SOP in Q4FY25). With these additions, the company now has 55 EV programs with 31 different customers. Of these, 15 programs are in ramp-up phase and production is yet to commence for 28 programs.
- Demand outlook:** Light Vehicle production grew by 3% across key geographies like North America, EU and India. However, OHV demand remains weak across both North America and India. The company remains cautious on PV demand in EU. It also indicated that E2W Traction Motor revenues remain sluggish and below company's estimates. Aggregate value of the net order book increased by INR 7bn QoQ to INR 233bn (added / consumed INR 11bn / INR 4bn worth new orders); orders for EV/ PHEVs stood at 79% of the net order book as at the end of 1QFY25 amounting to INR 184bn. Basis the order wins and OEM program schedules the company expects EVs to continue to drive growth in the medium-to-longer term. Management believes that Hybrid technology may do well in the near-term and act as a bridge before the industry ultimately transitions to BEVs from 2035 onwards. The company may benefit even in the interim as its content per vehicle is



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we acknowledge the support services of Dev Jogani and Neha Ayyar in preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	760
Upside/(Downside)	10.6%
Previous Price Target	715
Change	6.3%

Key Data – SONACOMS IN

Current Market Price	INR687
Market cap (bn)	INR403.2/US\$4.8
Free Float	62%
Shares in issue (mn)	586.4
Diluted share (mn)	586.4
3-mon avg daily val (mn)	INR1,181.3/US\$14.1
52-week range	765/488
Sensex/Nifty	80,149/24,414
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	7.8	17.4	18.4
Relative*	5.0	3.5	-2.0

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	25,875	31,166	38,935	49,414	59,062
Sales Growth (%)	26.1	20.4	24.9	26.9	19.5
EBITDA	6,958	9,021	11,173	14,334	18,006
EBITDA Margin (%)	26.0	28.3	28.1	28.4	29.5
Adjusted Net Profit	3,953	5,265	6,546	8,660	11,192
Diluted EPS (INR)	6.8	9.0	11.2	14.8	19.1
Diluted EPS Growth (%)	21.9	32.9	24.3	32.3	29.2
ROIC (%)	18.4	20.5	21.7	26.2	30.8
ROE (%)	18.4	21.3	22.9	25.8	27.9
P/E (x)	101.7	76.5	61.5	46.5	36.0
P/B (x)	17.6	15.2	13.1	11.1	9.2
EV/EBITDA (x)	57.9	44.9	36.1	28.0	22.0
Dividend Yield (%)	0.3	0.4	0.6	0.7	1.0

Source: Company data, JM Financial. Note: Valuations as of 24/Jul/2024

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highest in a Plug-in Hybrid. (high-torque DA + Starter Motor + Traction Motor).

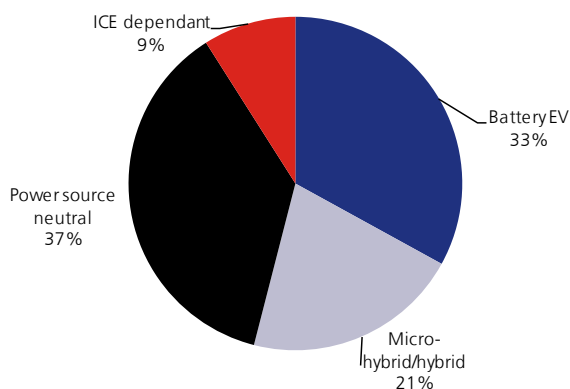
- Other highlights:**
 - Company board has approved fund raise of up to INR 24bn (in equity) towards inorganic opportunities (acquisition(s) or JV(s)) in the mobility space with advanced technological capabilities.
 - Company commercialised two products during 1Q - a) Park Gear for E-CVs and b) In-Cabin Sensor for child presence detection for electric PV. Further, the company added two new products in its technology roadmap - a) Integrated Hub Motor Controller and b) Integrated HV Motor Controller.
 - Company is pivoting Novelic from being an engineering services-led business to a product (Radar Sensors) and semiconductor chip design business by allocating more resources towards R&D and product development.
 - Company has been approved for 4 products (in E2Ws / E3Ws) so far for PLI benefit (few pending for approval). The company will recognise PLI benefits on receipt basis (likely from FY26).

Exhibit 1. Quarterly financial performance - consolidated

(INR mn)	Q1FY25	Q1FY24	% YoY	Q4FY24	% QoQ	Q1FY25E	Var (%)
Sales	8,930	7,322	22.0	8,853	0.9	8,764	1.9
RM	3,788	3,153	20.1	3,858	(1.8)	3,847	(1.6)
as a % of sales	42.4	43.1	-60bps	43.6	-120bps	43.9	-150bps
Employee Exp	761	491	54.8	728	4.5	745	2.1
as a % of sales	8.5	6.7	180bps	8.2	30bps	8.5	0bps
Other Costs	1,870	1,644	13.8	1,785	4.8	1,709	9.4
as a % of sales	20.9	22.4	-150bps	20.2	80bps	19.5	140bps
Expenditure	6,419	5,288	21.4	6,371	0.7	6,301	1.9
EBITDA	2,512	2,034	23.5	2,481	1.2	2,463	2.0
EBITDA Margin (%)	28.1	27.8	30bps	28.0	10bps	28.1	0bps
Other Income	70	54	29.7	75	(7)	85	(18.2)
Interest	86	53	61.4	71	21	70	23.1
Depreciation	606	511	18.7	598	1	610	(0.7)
PBT	1,889	1,523	24.0	1,886	0	1,867	1.1
Tax	472	375	25.9	405	16	429	9.8
Exceptional item	0	(28)		0		-	
PAT (Adjusted)	1,417	1,149	23.4	1,481	(4.3)	1,438	(1.4)
EPS (INR)	2.4	2.0	23.4	2.5	(4.3)	2.5	(1.4)

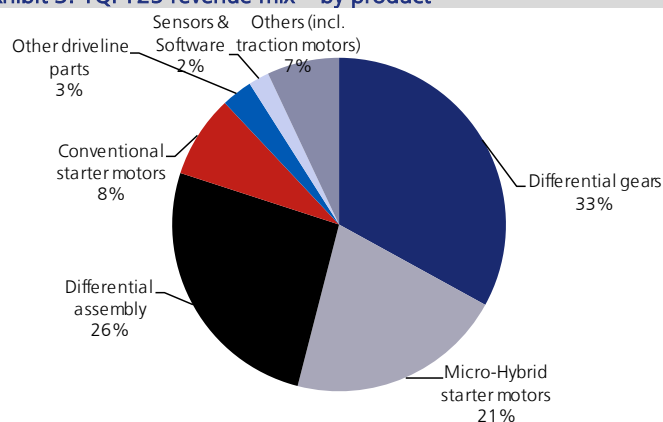
Source: Company, JM Financial

Exhibit 2. 1QFY25 revenue mix – by powertrain



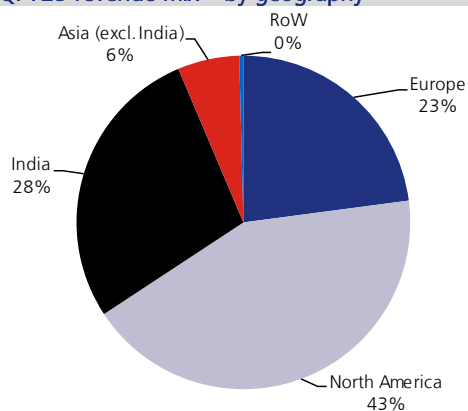
Source: Company, Industry

Exhibit 3. 1QFY25 revenue mix – by product



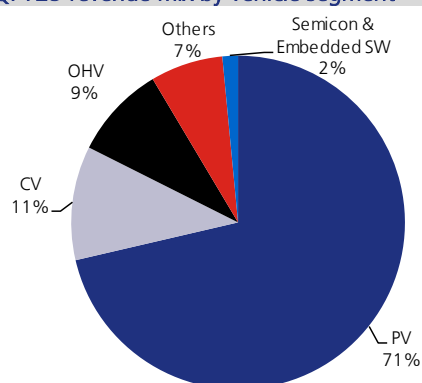
Source: Company, Industry

Exhibit 4. 1QFY25 revenue mix – by geography



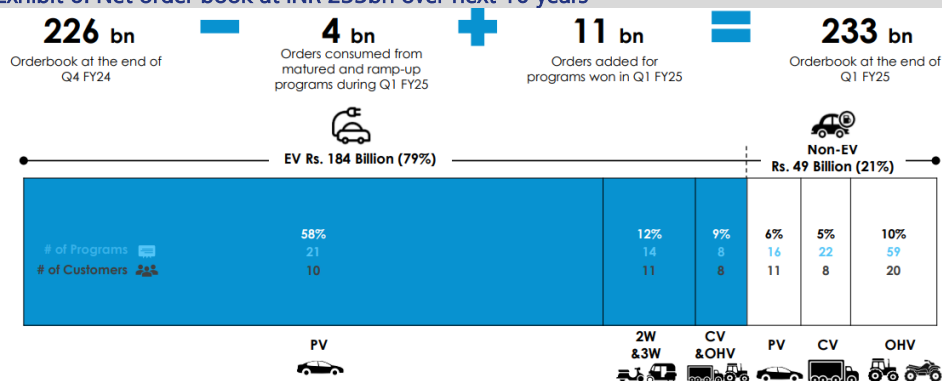
Source: Company, JM Financial

Exhibit 5. 1QFY25 revenue mix by vehicle segment



Source: Company, JM Financial

Exhibit 6. Net order book at INR 233bn 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)	444	759
Less: Net debt (FY24)	-1	-1
Fair value		760

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)	39,713	50,478	61,078	40,472	51,159	NA	-2%	-1%	NA
EBITDA (INR mn)	11,173	14,334	18,006	11,172	14,210	NA	0%	1%	NA
EBITDAM (%)	28.1%	28.4%	29.5%	27.6%	27.8%	NA	50bps	60bps	NA
PAT (INR mn)	6,546	8,660	11,192	6,533	8,653	NA	0%	0.1%	NA
EPS (INR)	11.2	14.8	19.1	11.1	14.8	NA	0%	0.1%	NA

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	38,935	49,414	59,062	
Sales Growth	26.1%	20.4%	24.9%	26.9%	19.5%	
Other Operating Income	881	682	779	1,064	2,016	
Total Revenue	26,756	31,848	39,713	50,478	61,078	
Cost of Goods Sold/Op. Exp	12,200	13,741	17,366	22,055	26,264	
Personnel Cost	1,804	2,501	2,718	3,429	4,040	
Other Expenses	5,794	6,584	8,456	10,659	12,766	
EBITDA	6,958	9,021	11,173	14,334	18,006	
EBITDA Margin	26.0%	28.3%	28.1%	28.4%	29.5%	
EBITDA Growth	24.5%	29.6%	23.9%	28.3%	25.6%	
Depn. & Amort.	1,780	2,202	2,666	2,974	3,348	
EBIT	5,178	6,819	8,507	11,360	14,658	
Other Income	116	239	294	354	409	
Finance Cost	169	258	244	244	244	
PBT before Excep. & Forex	5,125	6,800	8,557	11,470	14,823	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	5,125	6,800	8,557	11,470	14,823	
Taxes	1,171	1,535	2,011	2,810	3,632	
Extraordinary Inc./Loss(-)	0	-87	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	3,953	5,178	6,546	8,660	11,192	
Adjusted Net Profit	3,953	5,265	6,546	8,660	11,192	
Net Margin	14.8%	16.5%	16.5%	17.2%	18.3%	
Diluted Share Cap. (mn)	585.4	586.4	586.4	586.4	586.4	
Diluted EPS (INR)	6.8	9.0	11.2	14.8	19.1	
Diluted EPS Growth	21.9%	32.9%	24.3%	32.3%	29.2%	
Total Dividend + Tax	1,200	1,795	2,269	3,001	3,879	
Dividend Per Share (INR)	2.1	3.1	3.9	5.1	6.6	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	5,125	6,800	8,557	11,470	14,823	
Depn. & Amort.	1,780	2,202	2,666	2,974	3,348	
Net Interest Exp. / Inc. (-)	169	258	244	244	244	
Inc (-) / Dec in WCap.	-646	-147	-1,689	-2,365	-1,932	
Others	0	1,411	0	0	0	
Taxes Paid	-1,171	-1,535	-2,011	-2,810	-3,632	
Operating Cash Flow	5,257	8,989	7,767	9,513	12,852	
Capex	-3,252	-6,796	-3,184	-4,181	-4,279	
Free Cash Flow	2,004	2,192	4,583	5,332	8,573	
Inc (-) / Dec in Investments	-2,288	1,891	-2,500	-2,000	-4,000	
Others	0	-1,760	0	0	0	
Investing Cash Flow	-5,541	-6,666	-5,684	-6,181	-8,279	
Inc / Dec (-) in Capital	11	10	0	0	0	
Dividend + Tax thereon	-1,200	-1,795	-2,269	-3,001	-3,879	
Inc / Dec (-) in Loans	1,271	911	-333	-329	-324	
Others	128	593	63	66	70	
Financing Cash Flow	210	-280	-2,539	-3,264	-4,134	
Inc / Dec (-) in Cash	-74	2,043	-456	68	440	
Opening Cash Balance	773	698	2,742	2,286	2,354	
Closing Cash Balance	698	2,742	2,286	2,354	2,793	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	22,902	26,503	30,781	36,439	43,752	
Share Capital	5,854	5,864	5,864	5,864	5,864	
Reserves & Surplus	17,048	20,639	24,916	30,575	37,888	
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	36,310	41,884	49,116	
Net Fixed Assets	15,029	19,624	20,142	21,348	22,278	
Gross Fixed Assets	19,253	23,324	26,508	30,689	34,967	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	5,135	7,337	10,003	12,977	16,326	
Capital WIP	911	3,636	3,636	3,636	3,636	
Investments	2,418	527	3,027	5,027	9,027	
Current Assets	13,151	18,499	21,223	24,935	28,499	
Inventories	3,229	3,475	5,165	6,588	7,820	
Sundry Debtors	6,089	6,483	7,859	9,960	11,726	
Cash & Bank Balances	698	2,742	2,286	2,354	2,793	
Loans & Advances	0	0	0	0	0	
Other Current Assets	3,134	5,799	5,913	6,033	6,159	
Current Liab. & Prov.	4,744	6,527	8,082	9,426	10,688	
Current Liabilities	3,629	4,936	6,411	7,672	8,847	
Provisions & Others	1,115	1,591	1,670	1,754	1,842	
Net Current Assets	8,406	11,972	13,142	15,509	17,811	
Total - Assets	25,854	32,122	36,310	41,884	49,116	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	14.8%	16.5%	16.5%	17.2%	18.3%	
Asset Turnover (x)	1.1	1.1	1.1	1.2	1.3	
Leverage Factor (x)	1.1	1.2	1.2	1.2	1.2	
RoE	18.4%	21.3%	22.9%	25.8%	27.9%	

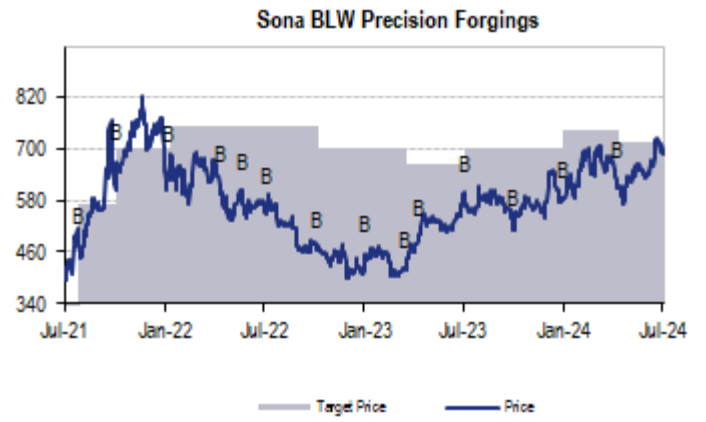
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	39.1	45.2	52.5	62.1	74.6	
ROIC	18.4%	20.5%	21.7%	26.2%	30.8%	
ROE	18.4%	21.3%	22.9%	25.8%	27.9%	
Net Debt/Equity (x)	0.0	0.0	0.0	-0.1	-0.2	
P/E (x)	101.7	76.5	61.5	46.5	36.0	
P/B (x)	17.6	15.2	13.1	11.1	9.2	
EV/EBITDA (x)	57.9	44.9	36.1	28.0	22.0	
EV/Sales (x)	15.0	12.7	10.1	7.9	6.5	
Debtor days	83	74	72	72	70	
Inventory days	44	40	47	48	47	
Creditor days	67	79	82	77	75	

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

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.
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* REITs refers to Real Estate Investment Trusts.

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