

January 23, 2025

RESULT REPORT Q3 FY25 | Sector: Automobile

Sona BLW Precision Forgings Ltd

Slow order additions reflect macro challenges

View – Future product additions continues to be encouraging

Sona BLW (SONACOMS) 3QFY25 results were operationally in-line with beat on adj.PAT led by higher other income due to gains on QIP proceeds. EBITDA margins were in-line at 27% (-270bp YoY/ -30bp QoQ) is resilient, despite ongoing macro challenges and ESOP cost of Rs226m in 9MFY25 (vs Rs97m in 9MFY24). On the positive side, management comments around no major programs delay (apart from one each in Europe/India related to EV) while BEV revenue ramp-up continued despite moderating EV transition. However, new order addition was slowest in recent times at ~Rs7b (vs ~Rs12b/Rs11b/Rs12b/Rs20b/Rs13b/Rs5b/Rs42b/Rs4b/Rs28b/Rs6b orders added in previous 10 quarters). Co's overall orderbook stands flat at Rs232b (vs Rs231b/Rs223b/Rs226b in 2QFY25/1QFY25/FY24). EV revenue mix during 3QFY25 were highest at 39% (vs 36%/33%/32% in 1QFY25/4QFY24).

SONACOMS revenue growth of ~11% YoY (though pace of growth has declined) vs ~1% volume growth in light vehicle segment from top 3 markets is still healthy as it continues to serve as a proxy for the global electrification trend, focus on broadening the product portfolio, expanding global scale, and cultivating a diverse customer base. This should translate into strong earnings growth and capital efficiency. Hence, we expect revenue/EBITDA/Adj. PAT to grow 22-26% CAGR over FY24-27E. We have cut FY26/27 consol EPS by ~8% each to factor in for slow domestic and weak Europe/US OHT outlook. We remain neutral with TP at Rs603 (vs R650 earlier) given limited upside as valuations factors in positives. While we are yet to integrate RED financials, we expect it would incrementally contribute 14-15% to FY27 EPS. The business can potentially grow at ~20% CAGR over FY24-27E, we believe.

Result Highlights – In-line, margins resilient despite challenges

- Consol revenues grew 11% YoY (-5.9% QoQ) at Rs8.7b (est ~Rs8.6b) vs underlying volume growth of ~1% in LV market. Gross margins contracted 350bp YoY/ flat QoQ at 55.9% (est 56.5%) largely led by unfavorable product/geography mix. This was partly offset by lower-than-expected other expense at Rs1.69b (est Rs1.81b).
- Consequently, EBITDA came in-line at Rs2.34b (+0.7% YoY/ -7.1% QoQ) led to margins contraction of 270bp YoY/ -30bp QoQ at 27% (est 27.3%). Led by higher other income at Rs469m (est Rs290m), adj.PAT came in higher at Rs1.54b (+16% YoY/ +2% QoQ, est Rs1.4b).
- Key wins and new products added in 3QFY25** - 1) ClearMotion - active suspension technology with TAM of USD14b for premium car (E class and above), 2) Zonal monitoring sensors, 3) 180 field of view radars and 4) EVTOL gearbox.
- 9MFY25 revenue/EBITDA/Adj.PAT grew 16.5%/12.3%/19.2% respectively.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	8,679	8,576	9,101	1.2	(4.6)	Adj. PAT came in better led by higher other income
EBITDA	2,342	2,341	2,506	0.0	(6.6)	
EBITDA margins %	27.0	27.3	27.5	-30bp	-60bp	
Adjusted PAT	1,549	1,435	1,554	7.9	(0.3)	

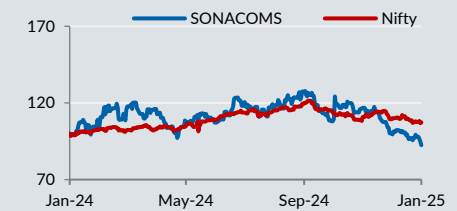
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 543
Target Price	: Rs 603
Potential Return	: +11.1%

Stock data (as on Jan 23, 2025)

Nifty	23,205
52 Week h/l (Rs)	769 / 529
Market cap (Rs/USD mn)	3,30,202 / 3,822
Outstanding Shares (mn)	621
6m Avg t/o (Rs mn):	1,238
Div yield (%):	0.5
Bloomberg code:	SONACOMS IN
NSE code:	SONACOMS

Stock performance



	1M	3M	1Y
Absolute return	(7.1%)	(15.8%)	(6.4%)

Shareholding pattern (As of Dec'24 end)

Promoter	28.0%
FII+DII	64.2%
Others	7.7%

Δ in stance

(1-Yr)	New	Old
Rating	Neutral	Neutral
Target Price	603	650

Δ in earnings estimates

	FY26E	FY26E
EPS (New)	13.5	17.7
EPS (Old)	14.7	19.3
% change	(8.3%)	(7.9%)

Financial Summary

Y/E Mar (Rs bn)	FY25E	FY26E	FY27E
Sales	35.9	47.6	58.5
EBITDA	9.8	13.2	16.6
Adj. PAT	5.9	7.9	10.4
EPS (INR)	10.0	13.5	17.7
EPS Gr. (%)	12.0	34.5	31.6
BV/Sh (INR)	55.3	65.8	80.0
RoE (%)	19.5	22.3	24.3
RoCE (%)	16.5	20.6	22.6
P/E (x)	54.2	40.3	30.6
P/BV (x)	9.8	8.3	6.8
EV/EBITDA (x)	32.5	24.0	18.7
Div. Yield (%)	0.5	0.6	0.6

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MEGHNA GUNDU, Associate

Exhibit 2: Quarterly snapshot

vY/E Mar (Rs m)	Q3FY25	Q3FY24	YoY chg (%)	Q2FY25	9MFY25	9MFY24	YoY chg (%)
Net Revenues	8,679	7,818	11.0	9,222	26,813	23,006	16.5
Raw Materials	3,826	3,177	20.4	4,069	11,683	9,883	18.2
% of Net Sales	44.1%	40.6%		44.1%	43.6%	43.0%	
Personnel	816	732	11.4	790	2,366	1,774	33.4
% of Net Sales	9.4%	9.4%		8.6%	8.8%	7.7%	
Manufacturing & Other Exp	1,696	1,583	7.1	1,842	5,408	4,799	12.7
% of Net Sales	19.5%	20.3%		20.0%	20.2%	20.9%	
Total Expenditure	6,337	5,493	15.4	6,702	19,458	16,455	18.2
EBITDA	2,342	2,325	0.7	2,520	7,355	6,551	12.3
EBITDA Margin (%)	27.0%	29.7%		27.3%	27.4%	28.5%	
Depreciation	666	559	19.0	626	1,898	1,604	18.3
EBIT	1,676	1,766	(5.1)	1,894	5,457	4,947	10.3
Interest Expenses	58	73	(21.4)	106	249	187	33.6
Non-operating income	469	(2)		239	796	154	418.5
Extraordinary Income	57	-		110	167	87	
Extraordinary Expenses	0	0		0	-	-	
PBT	2,030	1,690	20.1	1,918	5,837	4,827	20.9
Tax-Total	523	354	47.5	482	1,477	1,130	30.7
Tax Rate (%) - Total	25.8%	21.0%		25.1%	25.3%	23.4%	
Reported PAT	1,507	1,336	12.8	1,436	4,360	3,697	17.9
Adj. PAT	1,549	1,336	16.0	1,518	4,485	3,763	19.2
PAT Margin	17.9%	17.1%		16.5%	16.7%	16.4%	

Source- Company, YES Sec

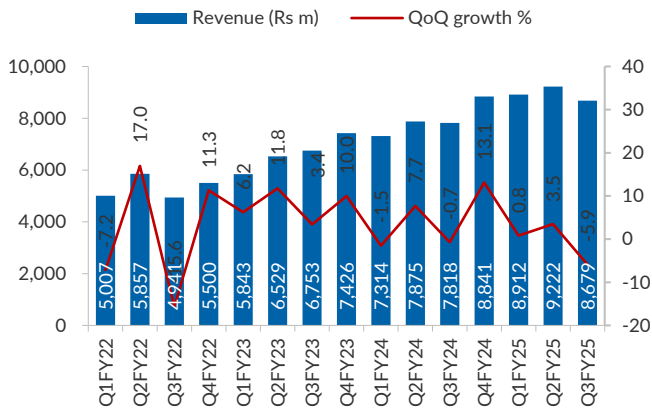
KEY CON-CALL HIGHLIGHTS

- **Revenue share from BEV continues to drive overall growth in 3QFY25 at Rs3.3b (+48% YoY)** with its share in revenues increased to highest ever at 39%/36%/33%/32%/29%/26% in 3QFY25/2QFY25/1QFY25/4QFY24/FY24/FY23 of revenues.
 - EV traction motors and differential assemblies have led to high growth in EV segment revenues.
 - Advance traction motors share at 0.2% and expect the share of the same to increase materially as revenue share.
 - Cumulative number of EV programs awarded increased from 42 in FY23 to 54 in FY24 and 57 in 3QFY25. Have added 1 program in 3QFY25.
 - Of the total 57 programs - ~15 in fully ramp up production, ~14 in ramp-up stage and ~28 not yet part of production.
 - **No major programs delay** apart from the one European EV program delay by a year to FY27E and one EV 2W program in India have been delayed by ~6 months.
- **Net order book remained flat at Rs232b (vs Rs231b in 2QFY25) of which ~Rs6b orders were consumed while Rs7b of orders added in 3QFY25.** EV account for ~76% of OB (vs ~78% in 2Q and ~79% in 1Q) at Rs176b in 3QFY25 (vs 180b in 2QFY25, Rs184b in 1QFY25 and Rs179b in 4QFY24).
 - Have won another program for differential assembly for EV PV for the Indian market worth Rs3b with SOP expected by 2QFY27.
 - **Order book conversion by and large intact** – Share of Europe is relatively small in overall order book as OEMs there are not giving out RFQs. Order book conversion remain on track largely as couple of large EV orders on the motors side in India should see SOP soon, one from North America expected by end CY and driveline by end of CY.
- **Demand outlook continues to remain muted led by confluence of factors**
 - **Demand in Europe remained weak** and don't expect reversal of trends immediately.
 - **OHT in US and CVs in India were weak too** as Sona market share in both the segments for DG and DGA is high revenues impacted. However, expect some improvement QoQ.
 - **Inventory buildup in NA at industry level** also impacted revenues. Believe EVs are growing faster with some delay expected in new product introductions.
 - **Largest customer transiting for upgraded and redesigned product** to impact supply in Jan and Feb before sharp production ramp-up expected by Mar'25, impacting 4QFY25 revenues overall. **Expect to regain lost revenues in Jan and Feb in next 2 years.**
 - Don't see customer losing market share either Sona is losing share of business.
- **Thoughts around full entry in Chinese market?** – China market has challenges in terms of supply distribution, geographic challenges and fragmented after all. Actively looking at how to get into Chinese OEMs. Makes no sense to be in Chinese market for ICE motors portfolio. Co has motor line where it currently supplying suspension motors. China have import duty of 8-10% in Indian HS code impacting pricing.
- **US threat of import duty imposition on components including India** - Import duty from India is 8-10% and to India 4-5%. Don't think it will risk the business. Mexico plant is for sales within Mexico and have no custom duty impact.
- **PLI** – approvals etc. in place while disbursement for current year and expected in next FY. Accounting for the same is under evaluation (whether accrual or cash basis).

- **New product development** - received second order in the sensors and software vertical and have commercialized a new product, Zone Monitoring Sensors.
- **ClearMotion** – have differentiated technology for active suspension. With latest investment the share would be 1.5%. TAM is USD14b for the premium car segment (E class and above). Sona is significant part of BOM as it supplies BLDC motor-controller based actuator. Can be large part of revenues in 4-5 years. The product is under production for Nio ET9.
 - **Suspension motors** – Compact motor with high copper content, integrated motor and controller with >2m software lines.
- **Novelic - Zone monitoring sensors** – Open up opportunity in industrial domain.
- **BEV traction motors for PV and CV** – working on designs and validations.
- **Margin decline in 3Q** was led by adverse product and geography mix.
- **Market share** - As per CRISIL, co's s global market share in differential gears increased from 8.1% to 8.8% in 2024 (vs 4.5% in end CY19) and in starter motors increased from 4.2% to 4.4% in 2024.
- **LSD** - low traction surfaces
- **EVTOL gearbox** – Market for EVTOL is building up. Enable active role in future EVTOL which have application in drone (approved by DGCA) and space.
- **180 degrees field of view short range radar** – 4 ultra-sonic sensors for reverse parking, kick sensing, tail gate and door protection, parking support and collision warning for affordable PVs and 2Ws.

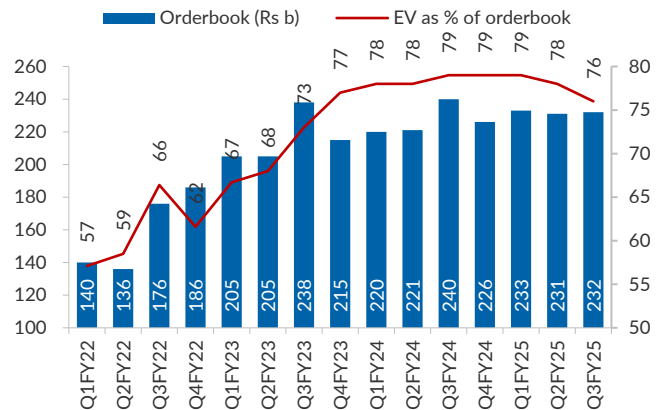
CHARTS

Exhibit 1: 3QFY25 revenues de-grew 5.9% QoQ



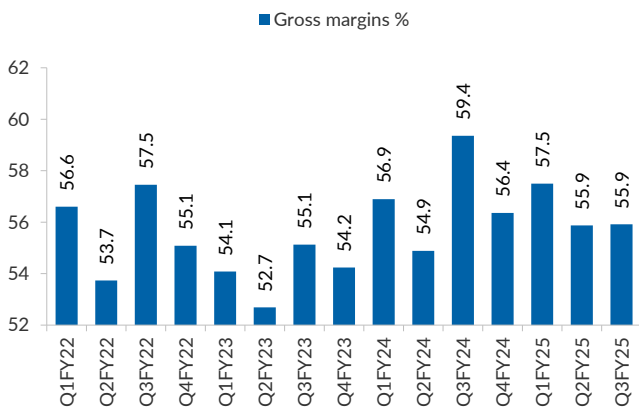
Source: Company, YES Sec

Exhibit 2: EV account for ~76% of orderbook at Rs176b



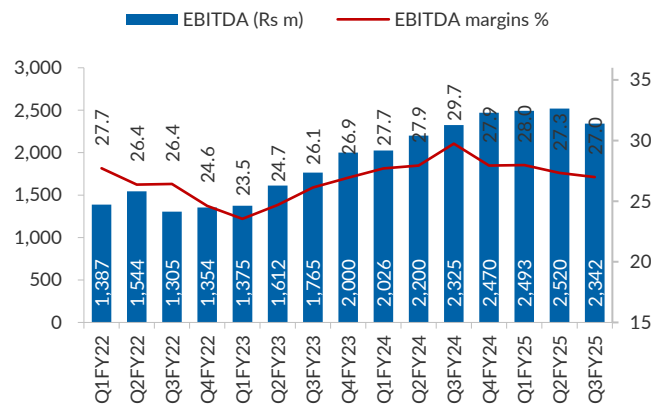
Source: Company, YES Sec

Exhibit 3: GMs were flat QoQ at 55.9%



Source: Company, YES Sec

Exhibit 4: EBITDAM contracted ~30bp QoQ at 27%



Source: Company, YES Sec

FINANCIALS

Exhibit 5: Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Equity Share Capital	5,730	5,844	5,854	5,864	5,864	5,864	5,864
Preference Capital	-	-	-	-	-	-	-
Total Reserves	8,030	14,159	17,048	22,137	26,551	32,700	41,058
Net Worth	13,759	20,003	22,902	28,001	32,416	38,565	46,922
Total Loans	4,472	1,511	2,952	4,121	3,481	3,331	3,181
Deferred Tax Liabilities	941	884	876	1,261	1,261	1,261	1,261
Capital Employed	19,172	22,398	26,730	33,384	37,158	43,157	51,365
Gross Block	12,343	15,377	19,010	23,027	26,027	30,027	31,527
Less: Accum. Deprn.	1,935	3,294	4,892	7,040	9,708	12,768	16,114
Net Fixed Assets	10,408	12,083	14,118	15,987	16,319	17,259	15,413
Goodwill	1,758	1,758	1,758	3,518	3,518	3,518	3,518
Capital WIP	832	1,474	911	3,636	3,636	3,636	3,636
Total Investments	58	130	2,418	527	591	643	701
Curr. Assets, Loans&Adv.	8,923	10,512	11,393	14,980	18,970	25,130	36,246
Inventory	3,056	3,634	3,232	3,475	6,353	8,948	11,013
Account Receivables	4,170	4,452	6,089	6,483	8,079	11,123	13,927
Cash and Bank Balance	276	773	698	2,742	2,143	2,544	8,666
Loans and Advances	-	-	-	-	-	-	-
Other current assets	1,422	1,654	1,373	2,281	2,395	2,515	2,641
Curr. Liability & Prov.	2,807	3,559	3,868	5,266	5,876	7,030	8,150
Account Payables	2,647	3,353	3,629	4,936	5,518	6,649	7,746
Provisions	159	206	239	330	359	381	404
Net Current Assets	6,116	6,953	7,525	9,715	13,094	18,100	28,096
Appl. of Funds	19,172	22,398	26,730	33,384	37,158	43,157	51,365

Source: Company, YES Sec

Exhibit 6: Income statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	15,663	21,306	26,755	31,848	35,879	47,605	58,546
Change (%)	28.4	36.0	25.6	19.0	12.7	32.7	23.0
Raw Materials	6,453	9,456	12,200	13,741	15,889	20,755	25,041
% of Sales	41.2	44.4	45.6	43.1	44.3	43.6	42.8
Employees Cost	1,474	1,689	1,804	2,501	2,621	3,484	4,275
% of Sales	9.4	7.9	6.7	7.9	7.3	7.3	7.3
Other Expenses	3,325	4,571	5,795	6,584	7,587	10,131	12,646
% of Sales	21.2	21.5	21.7	20.7	21.1	21.3	21.6
EBITDA	4,410	5,591	6,958	9,022	9,782	13,235	16,584
Margin (%)	28.2	26.2	26.0	28.3	27.3	27.8	28.3
Depreciation	969	1,420	1,780	2,202	2,668	3,060	3,346
EBIT	3,441	4,171	5,178	6,819	7,114	10,175	13,238
Interest Charges	325	183	169	258	379	335	312
Other Income	23	200	116	239	1,098	617	789
PBT bef. EO Exp.	3,139	4,189	5,124	6,801	7,833	10,458	13,715
EO Items	(139)	133	(34)	(87)	-	-	-
PBT after EO Exp.	3,000	4,322	5,091	6,714	7,833	10,458	13,715
Total Tax	848	706	1,138	1,535	1,958	2,556	3,312
Tax Rate (%)	28.3	16.3	22.4	22.9	25.0	24.4	24.2
Reported PAT	2,152	3,615	3,952	5,178	5,876	7,902	10,403
Adjusted PAT	2,251	3,504	3,979	5,246	5,876	7,902	10,403
Change (%)	1.5	55.7	13.5	31.8	12.0	34.5	31.6

Source: Company, YES Sec

Exhibit 7: Cash Flow Statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before Tax	3,000	4,322	5,091	6,713	7,833	10,458	13,715
Deprn. & Amort.	969	1,420	1,780	2,202	2,668	3,060	3,346
Net Interest Exp. / Inc. (-)	325	172	161	252	379	335	312
Inc (-) / Dec in WCap.	(2,070)	(890)	(630)	(644)	(3,978)	(4,606)	(3,873)
Others	(269)	(34)	33	(42)	-	-	-
Taxes Paid	(528)	(544)	(1,102)	(1,553)	(1,958)	(2,556)	(3,312)
Operating Cash Flow	1,427	4,446	5,333	6,928	4,945	6,691	10,187
Capex	(2,189)	(3,472)	(3,352)	(3,195)	(3,000)	(4,000)	(1,500)
Free Cash Flow	(762)	974	1,980	3,732	1,945	2,691	8,687
-Inc/dec in investments	598	(275)	(2,309)	(1,728)	(64)	(52)	(57)
Other	31	213	32	208	-	-	-
Investing Cash Flow	(1,561)	(3,534)	(5,629)	(4,715)	(3,064)	(4,052)	(1,557)
Inc/(dec) in capital	-	2,981	40	40	-	-	-
Dividend+Tax Thereon	(904)	(450)	(1,199)	(1,793)	(1,461)	(1,753)	(2,045)
Inc/dec in loans	608	(2,954)	1,471	94	(450)	(90)	(90)
Net Interest Exp. / Inc. (-)	(246)	(92)	(12)	(173)	(379)	(335)	(312)
Other assets	(125)	(122)	(113)	84	(190)	(60)	(60)
Financing Cash Flow	(667)	(637)	187	(1,747)	(2,480)	(2,238)	(2,507)
Inc / Dec (-) in Cash	(800)	275	(109)	465	(599)	401	6,123
Opening cash balance	1,050	249	536	441	910	311	712
Movement in Foreign currency translation reserve	-	12	14	4	-	-	-
Closing Cash Balance	250	536	441	910	311	712	6,835

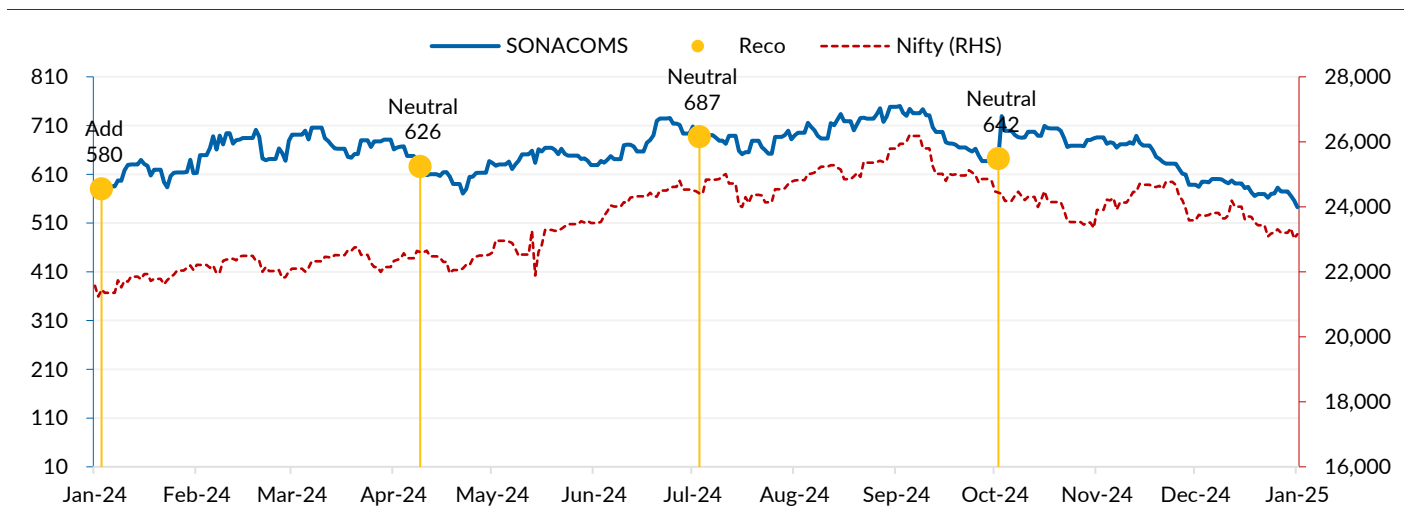
Source- Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	3.9	6.0	6.8	8.9	10.0	13.5	17.7
Cash EPS	5.6	8.4	9.8	12.7	14.6	18.7	23.4
BV/Share	24.0	34.2	39.1	47.7	55.3	65.8	80.0
DPS	1.6	0.8	1.5	1.5	2.5	3.0	3.5
Valuation (x)							
P/E	138.1	90.5	79.9	60.7	54.2	40.3	30.6
P/BV	22.6	15.9	13.9	11.4	9.8	8.3	6.8
EV/Sales	20.1	14.9	11.8	10.0	8.9	6.7	5.3
EV/EBITDA	71.3	56.7	45.5	35.2	32.5	24.0	18.7
Dividend Yield (%)	0.3	0.1	0.3	0.3	0.5	0.6	0.6
FCF per share	0.9	1.5	(1.3)	1.7	3.4	6.4	3.3
Return Ratios (%)							
RoE	17.6	20.8	18.5	20.6	19.5	22.3	24.3
RoCE (post-tax)	19.3	20.7	18.7	20.7	16.5	20.6	22.6
RoIC	16.4	18.9	19.3	21.5	18.2	22.4	26.3
Working Capital Ratios							
Asset Turnover (x)	0.8	1.0	1.0	1.0	1.0	1.2	1.2
Inventory (Days)	71.2	62.2	44.1	39.8	64.6	68.6	68.7
Debtor (Days)	97.2	76.3	83.1	74.3	82.2	85.3	86.8
Creditor (Days)	72.7	50.9	45.9	47.7	52.5	53.3	54.1
Leverage Ratio (x)							
Current Ratio	3.2	3.0	2.9	2.8	3.2	3.6	4.4
Interest Cover Ratio	13.6	30.6	41.1	35.0	25.8	39.5	53.2
Net Debt/Equity	0.2	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)

Source- Company, YES Sec

Recommendation Tracker



Source - YES Sec

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Analyst signature

Analyst signature

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