SONA BLW PRECISION

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	480
12 month price target (INR)	560
52 Week High/Low	769/380
Market cap (INR bn/USD bn)	299/3.5
Free float (%)	70.0
Avg. daily value traded (INR mn)	1,236.4

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	28.02%	28.03%	28.04%
FII	29.91%	33.25%	33.55%
DII	34.43%	31.15%	30.95%
Pledge	0.00%	0.00%	0.00%

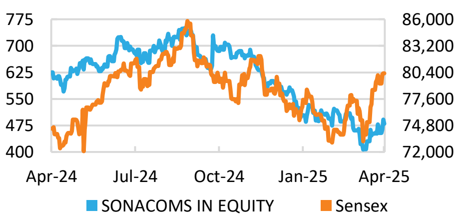
FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	31,848	35,545	45,784	53,401
EBITDA	9,021	9,753	11,951	13,818
Adjusted profit	5,260	6,205	7,311	8,299
Diluted EPS (INR)	9.0	10.0	11.8	13.3
EPS growth (%)	31.8	11.2	17.8	13.5
RoAE (%)	21.3	15.2	12.7	13.3
P/E (x)	53.5	48.1	40.8	36.0
EV/EBITDA (x)	31.1	27.5	23.5	20.3
Dividend yield (%)	0.6	0.7	0.8	0.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	45,784	53,401	(6)	(7)
EBITDA	11,951	13,818	(9)	(12)
Adjusted profit	7,311	8,299	(14)	(16)
Diluted EPS (INR)	11.8	13.3	(14)	(16)

PRICE PERFORMANCE



A miss on EBITDA; outlook stays positive

Reported Q4FY25 financials of Sona include PLI benefits for FY25. Factoring in PLI only for Q4, revenue fell 4% YoY to INR8.5bn, in-line, while EBITDA slid 13% to INR2.2bn, 4% below estimate.

Order book at end-Mar-25 stood at INR242bn with new orders in differential assembly/gears and steering bevel box. We forecast FY25–27E revenue/EBITDA CAGR of 23%/19% on a large order book and acquisition of Railways business. Given a muted industry outlook and tariff uncertainties, we are cutting target P/E for the auto segment to 45x (from 50x). Sona remains a key beneficiary of electrification in overseas/domestic markets. Retain 'BUY' with a TP of INR560 (earlier INR680) on 45x/25x FY27E EPS for core/railway business.

Adjusted Q4FY25 EBITDA misses estimate

Reported Q4FY25 financials of Sona include PLI benefits for FY25—revenue/EBITDA fell 2%/5% YoY to INR8.7bn/INR2.4bn while PAT rose 12% to INR1.7bn. Adjusting the financials to include PLI incentives only for the quarter, revenue fell 4% YoY to INR8.5bn, in-line. BEV revenue rose 8%, and its revenue share increased to 35%. EBITDA fell 13% YoY to INR2.2bn, 4% below estimate on higher other expenses. EBITDA margin fell 260bp to 25.4%. Other income soared 599% to INR522mn driven by QIP inflows of INR24bn. In all, PAT inched up 2% to INR1.5bn, in line with estimate.

Sizable order book of INR242bn

Order book stood at INR242bn in Mar-25 compared with INR232bn in Dec-24. Of this pending order book, 77% pertains to EVs. The company is engaged in 58 EV programs with 32 customers. The bulk of order book is realised in years three–five of the contract, which provides high-growth visibility. Sona has secured two new orders from existing customers: i) Rotor embedded Differential sub-assembly and Epicyclic Geartrain from North American new age e-PV OEM worth INR15.2bn, which shall start production from Q4FY26E. ii) Steering Bevel box from a global CV OEM worth INR1.1bn, which is expected to commence production from Q3FY26E.

Revenue/EBITDA CAGR of 23%/19% over FY25–27E

We reckon revenue/EBITDA CAGR would be 23%/19% over FY25–27E led by a large order book and acquisition of the railways business. The company is working on product development across areas of E-PV/CV traction motors, eVTOL parts, humanoid components, radar sensors, etc. Furthermore, management is scouting for opportunities in the mobility space and around the EPIC theme (electric, personalised, intelligent and connected). We reckon the railway business would contribute 20% to Sona's FY27E revenue.

Financials

Year to March	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)
Net Revenue	8,684	8,853	-1.9	8,680	0.1
EBITDA	2,350	2,481	-5.3	2,342	0.3
Adjusted Profit	1,667	1,487	12.1	1,569	6.2
Diluted EPS (INR)	2.7	2.5	5.8	2.5	6.2

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	31,848	35,545	45,784	53,401
Gross profit	18,106	20,098	25,410	29,638
Employee costs	2,501	3,150	4,342	5,419
Other expenses	6,584	7,195	9,117	10,401
EBITDA	9,021	9,753	11,951	13,818
Depreciation	2,202	2,544	3,137	3,709
Less: Interest expense	258	302	11	7
Add: Other income	239	1,269	796	796
Profit before tax	6,800	8,176	9,599	10,899
Prov for tax	1,535	1,986	2,304	2,616
Less: Other adj	0	0	0	0
Reported profit	5,173	6,012	7,311	8,299
Less: Excp.item (net)	87	193	0	0
Adjusted profit	5,260	6,205	7,311	8,299
Diluted shares o/s	586	622	622	622
Adjusted diluted EPS	9.0	10.0	11.8	13.3
DPS (INR)	3.1	3.2	3.9	4.4
Tax rate (%)	22.6	24.3	24.0	24.0

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	5,864	6,217	6,217	6,217
Reserves	20,639	48,731	53,622	59,175
Shareholders funds	26,503	54,948	59,839	65,392
Minority interest	1,498	1,499	1,484	1,469
Borrowings	2,331	135	55	55
Trade payables	4,526	5,338	6,875	8,019
Other liabs & prov	1,591	1,666	1,785	1,873
Total liabilities	38,649	65,371	72,338	79,491
Net block	15,987	17,754	22,617	22,908
Intangible assets	3,518	3,518	15,518	15,518
Capital WIP	3,636	4,195	4,195	4,195
Total fixed assets	23,142	25,467	42,330	42,621
Non current inv	417	8,641	5,641	8,641
Cash/cash equivalent	2,742	13,016	865	816
Sundry debtors	6,483	7,052	9,083	10,594
Loans & advances	0	0	0	0
Other assets	4,531	9,868	12,711	14,825
Total assets	38,649	65,371	72,338	79,491

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross profit margin (%)	56.9	56.5	55.5	55.5
Staff cost (% sales)	8.2	8.9	9.5	10.1
Other expenses (% sales)	20.7	20.2	19.9	19.5
EBITDA margin (%)	28.3	27.4	26.1	25.9
Net profit margin (%)	16.5	17.5	16.0	15.5
Revenue growth (% YoY)	19.0	17.2	28.8	16.6
EBITDA growth (% YoY)	29.6	8.1	22.5	15.6
Adj. profit growth (%)	31.9	18.0	17.8	13.5

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	6,713	7,983	9,599	10,899
Add: Depreciation	2,202	2,544	3,137	3,709
Interest (net of tax)	43	(548)	11	7
Others	167	68	0	0
Less: Changes in WC	(644)	(556)	(3,085)	(2,295)
Operating cash flow	6,928	7,752	7,359	9,704
Less: Capex	(3,191)	(4,155)	(20,000)	(4,000)
Free cash flow	3,736	3,597	(12,641)	5,704

Assumptions

Year to March	FY24A	FY25A	FY26E	FY27E
Diff. Gears (INRmn)	9,704	10,308	11,026	12,137
Starter Motors (INRmn)	10,310	10,664	10,983	11,313
Diff. Assembly (INRmn)	7,278	9,597	10,856	12,647
Others (INRmn)	4,556	4,976	5,794	6,617
Railway biz (INRmn)	0	0	7,125	10,687

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	21.3	15.2	12.7	13.3
RoCE (%)	25.5	19.5	16.3	17.0
Inventory days	89	82	71	75
Receivable days	72	69	64	67
Payable days	110	117	109	114
Working cap (% sales)	20.3	31.4	31.4	31.4
Gross debt/equity (x)	0.1	0	0	0
Net debt/equity (x)	0.1	(0.2)	0	0
Interest coverage (x)	26.4	23.9	775.1	1,534.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	53.5	48.1	40.8	36.0
Price/BV (x)	10.6	5.4	5.0	4.6
EV/EBITDA (x)	31.1	27.5	23.5	20.3
Dividend yield (%)	0.6	0.7	0.8	0.9

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	31.8	11.2	17.8	13.5
RoE (%)	21.3	15.2	12.7	13.3
EBITDA growth (%)	29.6	8.1	22.5	15.6
Payout ratio (%)	34.7	33.1	33.1	33.1

Source: Company and Nuvama estimates

Q4FY25 conference call: Key takeaways

- **US tariff impact:** Management anticipates that tariffs will cause short-term disruptions in the automobile industry; however, the medium and long-term outlook remains positive driven by future consolidations within the industry, with larger players continuing to sustain. Following the announcement of the tariffs, Sona secured an order worth INR15.2bn from a North American e-PV OEM for driveline systems in the last week of Mar-25, reflecting the company's optimism. Currently, Sona has no plans to establish a facility in the US, but if necessary, the setup would take 12–18 months. In FY25, the US market accounted for 41% of the company's overall revenue and management expects only 3% of this revenue to be at risk.

- **Order book** stood at INR242bn in Mar-25 compared with INR232bn in Dec-24. Of this pending order book, 77% is from EVs. Orders worth INR47bn were added during the year. In Q4FY25, Sona has secured two new orders from existing customers: i) Rotor embedded Differential sub-assembly and Epicyclic Geartrain from North American new age e-PV OEM worth INR15.2bn, which shall start production from Q4FY26. ii) Sona has commercialized a new product, Steering Bevel box, and has won an order from a global CV OEM worth INR1.1bn, which is expected to commence production from Q3FY26.

- **BEV revenue in Q4FY25** surged 8% YoY to INR2.9bn, with a revenue share of 35%. The company has 58 EV programs across 32 different customers, of which 15 programs are fully ramped up, 16 are in the ramp-up phase, and the remaining 27 are not yet in production.

- **Segment mix (FY25):** PV: 71%, CV: 11%, E2W/E3W: 8%, Non-auto: 9%. The CV share has decreased from 14% in FY24 to 11% in FY25 due to subdued domestic demand.

- **Product mix (FY25):** BEV: 36%, Micro-hybrid: 21%, Power source agnostic: 34%, and ICE-dependent: 9%. The BEV share continues to rise from 29% in FY24 to 36% in FY25. The hybrid revenue share has decreased from 24% in FY24 to 21% in FY25 led by slowdown in the European market.

- **New products** – i) Sona is preparing to enter the Humanoid Robot market, which is expected to reach 10mn units by 2035. The company is readying products such as motors, roller screws, reducers and gears, which account for a substantial 53-60% of the total BOM cost of USD35–50k, aided by the driveline and motor capabilities. Currently, the supply chain is mostly dominated out of China. ii) ClearMotion’s active suspension technology, for which BLDS motor controller-based actuator is supplied by Sona, has commercialised by adding e-PV OEM NIO for its ET9 model.

- **PLI incentive** for the 9MFY25 has been recognized fully in Q4FY25, totaling to INR190mn.

- **ESOP costs** decreased to INR50mn in Q4FY25 as compared to INR62mn in Q3FY25 and INR80mn in Q4FY24.

- **Escorts Railway Equipment division:** The closing date for acquisition has been mutually extended by one month to 1st June, 2025.

- **New Mexico plant:** The company is setting up new plant in Mexico with an outlay of USD10mn in Phase 1.

Exhibit 1: Changes in estimates: Reducing FY26–27E EBITDA by 9–12% given muted industry outlook and tariff uncertainties

INR mn	Old estimates		New estimates		Variance (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenues	48,550	57,140	45,784	53,401	(6)	(7)
EBITDA	13,141	15,622	11,951	13,818	(9)	(12)
Adjusted Profit	8,536	9,855	7,311	8,299	(14)	(16)
Diluted EPS (INR)	13.7	15.9	11.8	13.3	(14)	(16)

Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Revenue CAGR of 23% over FY25–27E

Revenue summary	FY24	FY25	FY26E	FY27E	CAGR (%) FY25-FY27E
Differential assembly	7,278	9,597	10,856	12,647	15%
Growth (%)	*24%*	*32%*	*13%*	*16%*	
Mix (%)	*23%*	*27%*	*24%*	*24%*	
Differential Gears	9,704	10,308	11,026	12,137	9%
Growth (%)	*19%*	*6%*	*7%*	*10%*	
Mix (%)	*30%*	*29%*	*24%*	*23%*	
Starter Motors	10,310	10,664	10,984	11,313	3%
Growth (%)	*12%*	*3%*	*3%*	*3%*	
Mix (%)	*32%*	*30%*	*24%*	*21%*	
Traction motors/ Others	4,556	4,976	5,794	6,617	15%
Growth (%)	*28%*	*9%*	*16%*	*14%*	
Mix (%)	*14%*	*14%*	*13%*	*12%*	
Railway business			7,125	10,688	
Growth (%)				*50%*	
Mix (%)			*16%*	*20%*	
Total	**31,848**	**35,545**	**45,784**	**53,401**	**23%**
Growth (%)	*19%*	*12%*	*29%*	*17%*	

Source: Company, Nuvama Research

Exhibit 3: Quarterly snapshot (consolidated); adjusted Q4FY25 EBITDA misses estimates

Year to March	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)
Net revenues	8,684	8,853	(1.9)	8,680	0.1
Raw material	3,764	3,858	(2.5)	3,826	(1.6)
Staff costs	784	728	7.7	816	(3.9)
Other expenses	1,787	1,785	0.1	1,696	5.4
Total expenditure	6,335	6,371	(0.6)	6,337	(0.0)
EBITDA	2,350	2,481	(5.3)	2,342	0.3
Depreciation	646	598	8.0	666	(2.9)
EBIT	1,703	1,883	(9.5)	1,677	1.6
Less: Interest Expense	52	71	(26.6)	58	(9.4)
Add: Other income	522	75	598.6	468	11.5
Add: Prior period items					
Add: Exceptional items	(26)	0		(57)	(54.9)
Profit before tax	2,173	1,886	15.2	2,087	4.1
Less: Provision for Tax	510	405	25.8	523	(2.5)
Less: Minority Interest	(4)	(6)		(5)	
Add: Share of profit from associates					
Reported Profit	1,641	1,487	10.4	1,512	8.5
Adjusted Profit	1,667	1,487	12.1	1,569	6.2
No. of Diluted shares outstanding	621	586	6.0	621	0.0
Adjusted Diluted EPS	2.7	2.5	5.8	2.5	6.2
As a % revenues					
Year to March	**4QFY25**	**4QFY24**	**bps change (YoY)**	**3QFY25**	**bps change (QoQ)**
Gross margins	56.7	56.4	25	55.9	74
Raw material	43.3	43.6	(25)	44.1	(74)
Staff costs	9.0	8.2	81	9.4	(37)
Other expenses	20.6	20.2	41	19.5	104
EBIDTA	27.1	28.0	(97)	27.0	7
Adjusted net profit	19.2	16.8	240	18.1	112
Tax rate (% PBT)	23.5	21.5	198	25.1	(158)

Source: Company, Nuvama Research

Company Description

Sona is one of India's leading automotive technology companies, designing, manufacturing, and supplying highly engineered, mission critical automotive systems and components. It is the result of merger between driveline business of SONA group (owned by Mr Sunjay Kapur and group) and Comstar (owned by Blackstone group). The systems and component offerings include differential assemblies and precision forged differential bevel gears for both electrified and non-electrified PVs, CVs, OHVs and three-wheelers. Sona has nine manufacturing and assembly plants across India, China, Mexico, and the US, of which six are located in India. As of FY25, Differential Gears, Differential Assembly, Micro Hybrid Starter Motors, Conventional Starter Motors, Traction Motors and Other parts contribute 29%, 27%, 21%, 9%, 8% and 6% of the total revenue respectively. Recently, it has entered the Railways space, with acquisition of Escorts' Railway division.

Investment Theme

We reckon revenue/EBITDA CAGR at 23%/19% over FY25–27E led by a large order book and acquisition of the railways business. The order book stood at INR242bn in Mar-25 compared with INR232bn in Dec-24. Of this pending order book, 77% pertains to EVs. The company is engaged in 58 EV programs with 32 customers. The bulk of order book is realised in years three–five of the contract, which provides high-growth visibility. The company is working on product development across areas of E-PV/CV traction motors, eVTOL parts, humanoid components, radar sensors, etc. Furthermore, management is scouting for opportunities in the mobility space and around the EPIC theme (electric, personalised, intelligent and connected). We reckon the railway business would contribute 20% to Sona's FY27E revenue.

We expect earnings CAGR to be healthy at 16% over FY25-27E. Retain 'BUY' with a TP of INR560 based on 45x FY27E EPS for core business and Railways business at 25x FY27E EPS.

Key Risks

- Deceleration in order-wins: Sona's inability to maintain the order book momentum would hamper its earnings momentum in the next phase of growth over FY25–30
- New products may fail to gain acceptance akin to differential assembly
- Global demand slowdown: Since its fortunes are linked to global auto volumes, any slowdown in overall industry volumes would have a bearing on SONA's revenue growth.
- Demand slowdown in products for which it supplies: The success of models to which it supplies is no less critical to SONA's revenue growth

Additional Data

Management

CEO	Vivek Vikram Singh
CFO	Rohit Nanda
CTO	Praveen Chakrapani Rao
CS	Ajay Pratap Singh
Auditor	Walker Chandiok & Co LLP

Holdings – Top 10*

	% Holding		% Holding
SBI Funds	8.58	Vanguard Group	2.66
Rep. of Singapore	6.97	Blackrock Inc	2.50
ICICI Pru AMC	3.69	Monetary Authority	1.69
Mirae Asset	3.53	Canara Robecco	1.65
Axis AMC	2.93	Aditya Birla Sun Life	1.59

**Latest public data*

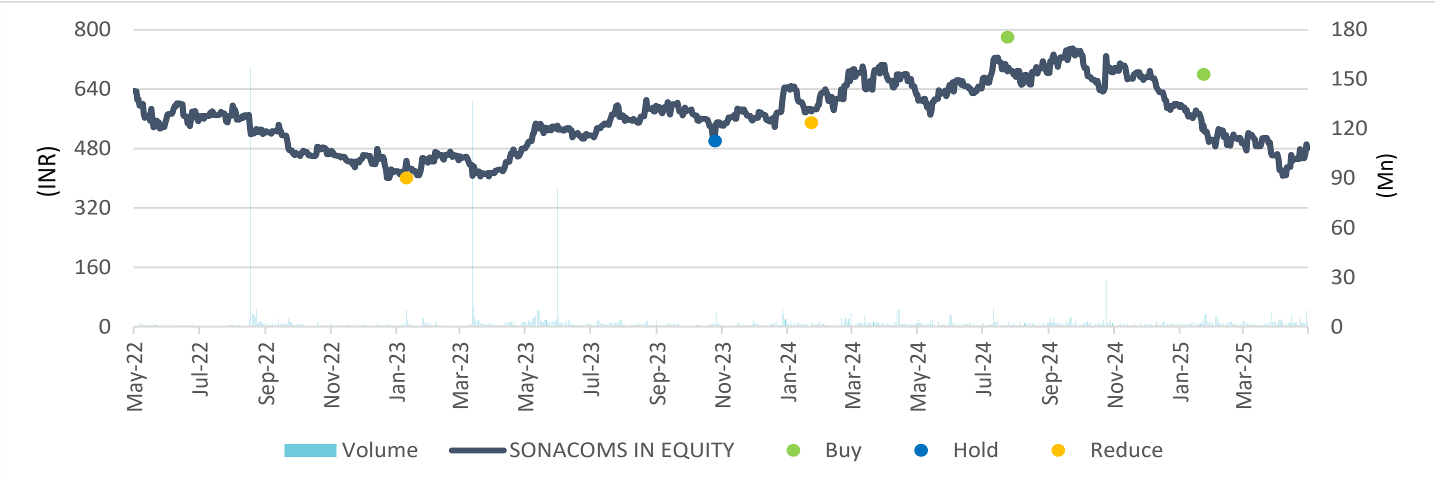
Recent Company Research

Date	Title	Price	Reco
23-Jan-25	Q3 undershoots; outlook stays positive; *Result Update*	572	Buy
23-Oct-24	Sona BLW Precision Forgings (SONACOMS IN; *Result Update*	644	Buy
24-Jul-24	Strong showing; robust growth prospects; *Result Update*	687	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
14-Feb-25	Samvardhana Motherson	In-line EBITDA; outlook remains positive; *Result Update*
06-Feb-25	Minda Corporation	In-line EBITDA; outlook remains bright; *Result Update*
16-Jan-25	CEAT	EBITDA undershoots; margins to improve; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	209
Hold	<15% and >-5%	59
Reduce	<-5%	34

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