

SONA BLW PRECISION

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	480
12 month price target (INR)	550
52 Week High/Low	721/380
Market cap (INR bn/USD bn)	301/3.4
Free float (%)	72.0
Avg. daily value traded (INR mn)	1,804.3

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	28.02%	28.02%	28.02%
FII	23.47%	29.75%	29.91%
DII	40.13%	34.60%	34.43%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

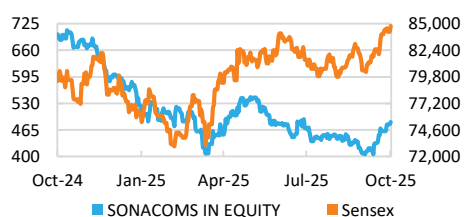
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	35,460	44,587	51,499	56,451
EBITDA	9,668	11,240	13,014	14,327
Adjusted profit	6,120	6,836	7,705	8,551
Diluted EPS (INR)	9.8	11.0	12.4	13.8
EPS growth (%)	9.7	11.7	12.7	11.0
RoAE (%)	15.0	12.0	12.6	12.9
P/E (x)	48.8	43.7	38.7	34.9
EV/EBITDA (x)	29.5	26.5	22.9	20.8
Dividend yield (%)	0.7	0.9	1.0	1.1

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	44,587	51,499	(3)	(1)
EBITDA	11,240	13,014	(2)	(0)
Adjusted profit	6,836	7,705	(4)	(3)
Diluted EPS (INR)	11.0	12.4	(4)	(3)

PRICE PERFORMANCE



Q2 beat; positive outlook endures

Q2FY26 revenue surged 24% YoY to INR11.4bn (estimate: INR10.7bn) and EBITDA grew 13% to INR2.9bn (INR2.6bn), above estimates, on higher-than-expected automotive sales and lower opex. Factoring in a slowdown in the underlying industry and postponement of JV with Jinnate of China, we are reducing FY26E/27E EBITDA by up to 2%.

The order book is large at INR236bn, including new orders worth INR10bn. We reckon FY25–28E revenue/EBITDA CAGR would be 17%/14% led by a large order book and addition of Railways' business. Sona remains a key beneficiary of electrification in both the overseas and domestic markets. Maintain 'BUY' with a TP of INR550 (INR560 earlier) based on 45x/25x Sep-27E EPS for core/railway business.

Q2FY26 EBITDA beats estimates

Revenue surged 24% YoY to INR11.4bn, above our estimate of INR10.7bn due to beat in Automotive product sales. BEV revenue dropped 17% with revenue share contracting to 32% (versus 36% in Q2FY25) of Automotive product sales. EBITDA expanded 13% to INR2.9bn (estimate: INR2.6bn), above estimate due to revenue beat and lower than expected operating expenses. EBITDA margin contracted 230bp to 25.3%. Adjusted PAT expanded 13% to INR1.7bn (estimate: INR1.6bn), above our estimate due to higher operating profit.

Sizable order book of INR236bn

Order book was INR236bn in Sep-25 compared with INR262bn in Jun-25, with EVs constituting 70%. The company is engaged in 62 EV programs across 32 customers. Sona removed INR36bn worth of orders from its order book due to commencement of orders and removed orders with low visibility of execution. The company added a new order worth INR2.6bn from a North American OEM. Furthermore, Clear Motion has secured two orders: i) an order worth INR6.4bn from an existing customer (Asian OEM); and ii) an order worth INR1.8bn from a European OEM of luxury performance PV, with production for both starting in Q2FY27.

Revenue/EBITDA CAGR of 17%/14% over FY25–28E

We reckon revenue/EBITDA CAGR of 17%/14% over FY25–28E led by a large order book and railways business buyout. Sona is working on product development across areas— E-PV/CV traction motors, eVTOL parts, humanoid components and radar sensors. In recent months, three competitors (Winning BLW, Bolta, and MEF) in Europe filed for bankruptcy, which should help in business improvement for Sona. We forecast the railway business shall contribute 20% to Sona's FY28E revenue.

Financials

Year to March	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Net Revenue	11,435	9,251	23.6	8,509	34.4
EBITDA	2,891	2,549	13.4	2,026	42.7
Adjusted Profit	1,744	1,550	12.6	1,339	30.3
Diluted EPS (INR)	2.8	2.5	12.5	2.2	30.3

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	35,460	44,587	51,499	56,451
Gross profit	20,013	23,854	27,398	30,032
Employee costs	3,150	3,958	4,599	5,088
Other expenses	7,195	8,655	9,785	10,617
EBITDA	9,668	11,240	13,014	14,327
Depreciation	2,544	3,041	3,574	3,941
Less: Interest expense	302	211	211	211
Add: Other income	1,269	1,046	956	1,131
Profit before tax	8,091	9,034	10,185	11,306
Prov for tax	1,986	2,213	2,495	2,770
Less: Other adj	0	0	0	0
Reported profit	5,927	6,727	7,705	8,551
Less: Excp.item (net)	193	108	0	0
Adjusted profit	6,120	6,836	7,705	8,551
Diluted shares o/s	622	622	622	622
Adjusted diluted EPS	9.8	11.0	12.4	13.8
DPS (INR)	3.2	4.4	5.0	5.5
Tax rate (%)	24.6	24.5	24.5	24.5

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross profit margin (%)	56.4	53.5	53.2	53.2
Staff cost (% sales)	9.2	8.9	8.9	9.0
Other expenses (% sales)	20.3	19.4	19.0	18.8
EBITDA margin (%)	27.3	25.2	25.3	25.4
Net profit margin (%)	17.3	15.3	15.0	15.1
Revenue growth (% YoY)	10.7	30.6	15.5	9.6
EBITDA growth (% YoY)	7.2	16.3	15.8	10.1
Adj. profit growth (%)	16.4	11.7	12.7	11.0

Assumptions

Year to March	FY25A	FY26E	FY27E	FY28E
Differential Gears (INRmn)	10,308.2	10,357.8	11,395.1	12,347.3
Starter Motors (INRmn)	10,663.6	10,983.5	11,203.2	11,315.2
Differential Assembly (INRmn)	9,597.2	8,895.6	10,414.3	11,443.1
Others (INRmn)	4,976.3	6,433.7	8,195.0	10,230.4
Railway business (INRmn)	0	7,916.7	10,291.7	11,115.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	48.8	43.7	38.7	34.9
Price/BV (x)	5.4	5.1	4.7	4.3
EV/EBITDA (x)	29.5	26.5	22.9	20.8
Dividend yield (%)	0.7	0.9	1.0	1.1

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	6,217	6,217	6,217	6,217
Reserves	48,731	52,724	57,346	62,477
Shareholders funds	54,948	58,941	63,564	68,694
Minority interest	1,499	1,484	1,469	1,454
Borrowings	135	55	55	55
Trade payables	5,338	6,712	7,752	8,497
Other liabs & prov	1,666	1,771	1,851	1,909
Total liabilities	65,371	71,203	77,279	83,446
Net block	17,754	23,713	24,140	24,198
Intangible assets	3,518	15,518	15,518	15,518
Capital WIP	4,195	4,195	4,195	4,195
Total fixed assets	25,467	43,426	43,853	43,911
Non current inv	8,641	4,641	6,641	10,441
Cash/cash equivalent	13,016	215	312	75
Sundry debtors	7,052	8,867	10,242	11,226
Loans & advances	0	0	0	0
Other assets	9,868	12,389	14,309	15,685
Total assets	65,371	71,203	77,279	83,446

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	7,983	8,926	10,185	11,306
Add: Depreciation	2,544	3,041	3,574	3,941
Interest (net of tax)	(548)	211	211	211
Others	68	0	0	0
Less: Changes in WC	(556)	(2,740)	(2,085)	(1,494)
Operating cash flow	7,752	7,225	9,390	11,195
Less: Capex	(4,155)	(21,000)	(4,000)	(4,000)
Free cash flow	3,597	(13,775)	5,390	7,195

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.0	12.0	12.6	12.9
RoCE (%)	19.3	15.8	16.6	17.0
Inventory days	82	69	72	73
Receivable days	70	65	68	69
Payable days	114	106	110	112
Working cap (% sales)	32.7	31.5	31.5	31.5
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	0	0	0
Interest coverage (x)	23.6	38.8	44.7	49.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	9.7	11.7	12.7	11.0
RoE (%)	15.0	12.0	12.6	12.9
EBITDA growth (%)	7.2	16.3	15.8	10.1
Payout ratio (%)	33.6	40.6	40.0	40.0

Q2FY26 conference call: Key takeaways

- **Increasing opportunities:** Sona anticipates new order wins in Europe following the bankruptcy filings of three competitors in the region. This development has led to a rise in enquiries for Sona's products.
- **Margin outlook:** Margins are likely to be in the range of 24–26% due to integration of the Railway business.
- **Order book** stands at INR236bn in Sep-25 from INR262bn in Jun-25, with EVs accounting for a significant 70% of the total. The company removed INR36bn worth of orders from its order book due to commencement of orders and removed orders that have low visibility of execution. Sona added INR10bn in new orders during the quarter, including an order win worth INR2.6bn from a North American OEM making recreational off-highway vehicles for differential assemblies with production starting Q2FY28. Moreover, Clear Motion has secured two new vehicle programs and one new end customer for its suspension motor business. The two orders include: i) an order worth INR6.4bn from an existing customer (Asian OEM) for an electric passenger vehicle program with production scheduled to commence in Q2FY27 and ii) an order worth INR1.8bn from a European OEM of luxury performance passenger vehicles with production also starting in Q2FY27.
- **BEV revenue** in Q2FY26 dipped 17% YoY to INR2.6bn with revenue share significantly lower at 32% versus 36% last year. The decline in BEV revenue was primarily due to demand challenges faced by a single global customer, as one of its key models recorded a significant reduction in sales. The company is currently engaged in 62 EV programmes across 32 customers—19 fully ramped up, 14 in ramp-up, and 29 yet to enter production. Furthermore, the revenue share of one of the largest EV customers declined from 23% to 6%.
- **Segment mix - H1FY26:** PV: 53% (71% in FY25), CV: 9% (11%), E2W/E3W: 9% (8%), non-auto: 28% (9%), semiconductors and embedded software: 1% (1%).
- **Railway equipment division:** The division accounted for 11% of total revenue in H1FY26. The INR236bn order book includes INR13bn worth of railway orders, to be executed over the next 12 months. Current offerings include braking systems, dampers and couplers. The company is expecting strong growth in the medium term, backed by a robust product pipeline. Furthermore, the company is looking for opportunities to improve the cash conversion cycle of this division.
- **JV with Jinnaite Machinery, China:** In Jul-25, Sona planned a JV with Jinnaite Machinery (60% stake) to manufacture driveline systems, starting with differential housings for Chinese and global OEMs. However, the company has placed the JV in abeyance and may revisit it if the terms change in the future.
- **Ferrite motors:** The company has successfully developed, tested, and validated rare earth free motors (ferrite-assisted synchronous reluctance motor). The motor is being developed for 2Ws, 3Ws, and LCVs.
- **Mexico plant:** Sona has commenced production of differential assemblies at its driveline plant in Mexico for one of its largest customers. The company is also reporting increasing traction from other customers across North America.

- **Headwinds:** i) The Nexperia chip supply issue, arising from geopolitical tensions between Europe and China, has adversely affected several European customers, leading to a temporary halt in light passenger vehicle (LPV) production across the region. ii) A fire incident at the Novelis aluminum plant has disrupted production of Ford's F-Series trucks. Sona supplies components for the diesel variants of this series, which have been affected by the disruption.
- **FCF and cash at end-H1FY26:** FCF was INR1.4bn. Cash was INR9.7bn.

Exhibit 1: Change in estimates

INR mn	Old estimates			New estimates			Variance (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net revenues	45,818	52,053	56,513	44,587	51,499	56,451	(3)	(1)	(0)
EBITDA	11,419	13,020	14,176	11,240	13,014	14,327	(2)	(0)	1
Adjusted Profit	7,117	7,939	8,703	6,836	7,705	8,551	(4)	(3)	(2)
Diluted EPS (INR)	11.4	12.8	14.0	11.0	12.4	13.8	(4)	(3)	(2)

Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Revenue CAGR of 17% over FY25–28E

Revenue summary	FY24	FY25	FY26E	FY27E	FY28E	CAGR (%) FY25-FY28E
Differential assembly	7,278	9,597	8,896	10,414	11,443	6%
Growth (%)	24%	32%	-7%	17%	10%	
Mix (%)	23%	27%	20%	20%	20%	
Differential Gears	9,704	10,308	10,358	11,395	12,347	6%
Growth (%)	19%	6%	0%	10%	8%	
Mix (%)	30%	29%	23%	22%	22%	
Starter Motors	10,310	10,664	10,984	11,203	11,315	2%
Growth (%)	12%	3%	3%	2%	1%	
Mix (%)	32%	30%	25%	22%	20%	
Traction motors/ Others	4,556	4,976	6,434	8,195	10,230	27%
Growth (%)	28%	9%	29%	27%	25%	
Mix (%)	14%	14%	14%	16%	18%	
Railway business			7,917	10,292	11,115	
Growth (%)				30%	8%	
Mix (%)			18%	20%	20%	
Total	31,848	35,545	44,587	51,499	56,451	17%
Growth (%)	19%	12%	25%	16%	10%	

Source: Company, Nuvama Research

SONA BLW PRECISION

Exhibit 3: Quarterly snapshot (consolidated); EBITDA above estimates

Year to March (INR mn)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Net revenues	11,435	9,251	23.6	8,509	34.4
Raw material	5,465	4,069	34.3	3,792	44.1
Staff costs	1,030	790	30.4	878	17.4
Other expenses	2,049	1,842	11.2	1,814	13.0
Total expenditure	8,545	6,702	27.5	6,483	31.8
EBITDA	2,891	2,549	13.4	2,026	42.7
Depreciation	716	626	14.4	670	6.9
EBIT	2,174	1,923	13.0	1,356	60.4
Less: Interest Expense	52	106	(51.1)	53	(3.2)
Add: Other income	170	210	(19.3)	442	(61.6)
Add: Prior period items					
Add: Exceptional items	(17)	(110)		(92)	(81.8)
Profit before tax	2,292	2,028	13.0	1,744	31.4
Less: Provision for Tax	571	482	18.4	435	31.2
Less: Minority Interest	(23)	(4)		(30)	
Add: Share of profit from associates					
Reported Profit	1,728	1,439	20.0	1,247	38.5
Adjusted Profit	1,744	1,550	12.6	1,339	30.3
No. of Diluted shares outstanding	622	621		622	
Adjusted Diluted EPS	2.8	2.5	12.5	2.2	30.3
As a % revenues					
Year to March	2QFY26	2QFY25	bps change (YoY)	1QFY26	bps change (QoQ)
Gross margins	52.2	56.0	(381)	55.4	(323)
Raw material	47.8	44.0	381	44.6	323
Staff costs	9.0	8.5	47	10.3	(131)
Other expenses	17.9	19.9	(200)	21.3	(340)
EBIDTA	25.3	27.6	(228)	23.8	147
Adjusted net profit	15.3	16.8	(150)	15.7	(48)
Tax rate (% PBT)	24.9	23.8	114	25.0	(5)

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 Late 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 17%/14% over FY25–28E led by a large order book and acquisition of the railways business. The order book stood at INR236bn in Sep-25 compared with INR262bn in Jun-25. Of this pending order book, 70% pertains to EVs. The company is engaged in 62 EV programs across 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— 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). In recent months, three competitors (Winning BLW, Bolta, MEF) in Europe filed for bankruptcy, which should help business improvement for Sona. We reckon the railway business would contribute 20% to Sona's FY28E revenue.

We retain 'BUY' with a TP of INR550 based on 45x/25x Sep-27E EPS for core/railway business.

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

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

Holdings – Top 10*

	% Holding		% Holding
SBI Funds	8.69	Axis AMC	2.41
ICICI Pru AMC	8.00	HDFC AMC	2.27
Republic of Singapore	6.79	Aditya Birla Sunlife AMC	2.26
Vanguard Group	2.92	Monetary Authority of Singapore	1.65
Mirae Asset	2.64	Aditya Birla Sun Life Trustee Co	1.62

*Latest public data

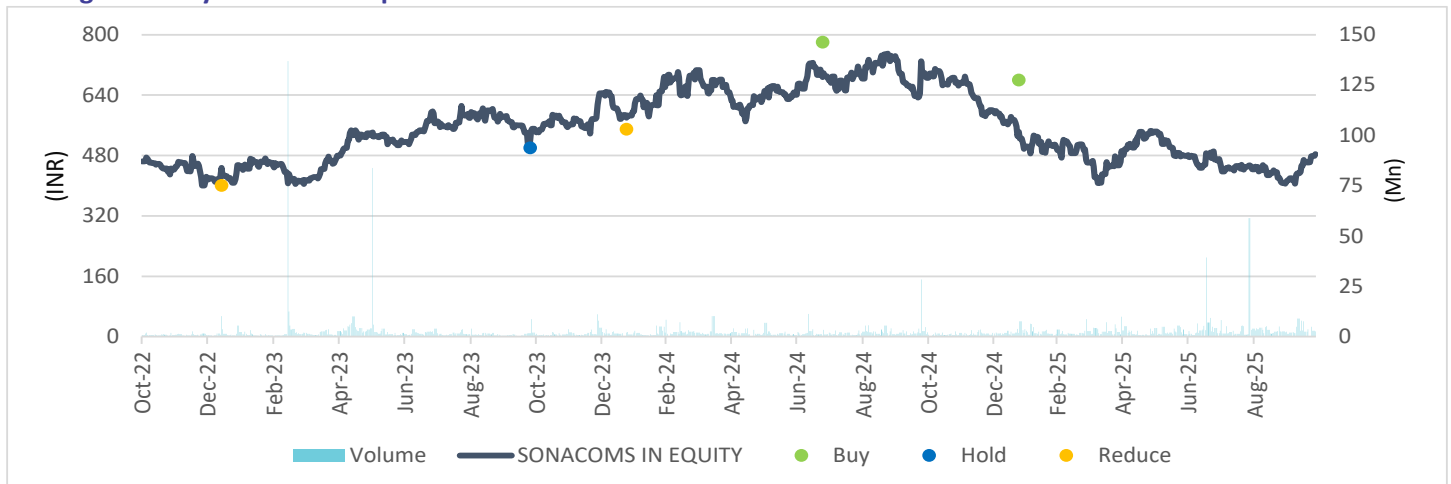
Recent Company Research

Date	Title	Price	Reco
04-Aug-25	Q1 broadly in-line; outlook stays positi; <i>Result Update</i>	443	Buy
30-Apr-25	A miss on EBITDA; outlook stays positive; <i>Result Update</i>	480	Buy
23-Jan-25	Q3 undershoots; outlook stays positive; <i>Result Update</i>	573	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
17-Oct-25	CEAT	Q2 beat; outlook remains positive; <i>Result Update</i>
23-Sep-25	Minda Corporation	Growth vision: 28% revenue CAGR by 2030; <i>Company Update</i>
06-Sep-25	Samvardhana Motherson	Targeting USD108bn sales at a 33% CAGR ; <i>Company Update</i>

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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
