

SONA BLW Precision Forging

Estimate change



TP change



Rating change



Bloomberg	SONACOMS IN
Equity Shares (m)	622
M.Cap.(INRb)/(USDb)	300.8 / 3.4
52-Week Range (INR)	721 / 380
1, 6, 12 Rel. Per (%)	14/-1/-38
12M Avg Val (INR M)	1412

Financials & Valuations (INR b)

Y/E Mar	2026E	2027E	2028E
Sales	44.1	49.1	54.9
EBITDA (%)	25.0	25.0	25.0
Adj. PAT	7.0	7.7	8.6
EPS (INR)	11.2	12.4	13.9
EPS Gr. (%)	13.8	10.6	11.7
BV/Sh. (INR)	97.8	105.5	114.1

Ratios

RoE (%)	11.9	12.2	12.6
RoCE (%)	11.5	11.8	12.3
Payout (%)	37.8	38.2	37.8

Valuations

P/E (x)	43.0	38.9	34.8
P/BV (x)	4.9	4.6	4.2
EV/EBITDA (x)	25.4	22.7	20.0
Div. Yield (%)	0.9	1.0	1.1
FCF Yield (%)	0.9	1.4	1.7

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	28.0	28.0	28.0
DII	40.1	34.6	31.0
FII	23.5	29.8	33.6
Others	8.4	7.6	7.5

FII Includes depository receipts

CMP:INR484

TP: INR448 (-7%)

Neutral

Margins improve QoQ despite railway division integration

Steady performance amid challenging macro

- SONACOMS' consol. revenue/EBITDA/adj. PAT rose ~24%/13%/11% YoY to INR11.4b/INR2.9b/INR1.7b. 2Q results are not comparable to our estimates as it was the first quarter after the railway division integration, while our estimates factored in the core business. EBITDA margins fell 230bp YoY to 25.3% due to an adverse mix, lower operating leverage and the integration of the railway business
- We earlier valued the railway division separately. However, given that the company would not be disclosing segmental financials, we have now integrated the railway division's financials into our estimates. As a result, we have upgraded the earnings estimates by 27%/20% for FY26/FY27. However, this would also warrant a de-rating for the consolidated entity, in our view. Hence, we lower our target multiple for the consolidated entity to 34x from 36x earlier for the core. As a result, our TP now stands at INR448 per share (valued at 34x Sep'27E EPS). Maintain Neutral.

Full integration of railway division seen in 2Q

- The company's 2Q financials are not directly comparable with our estimates, as we had estimated financials for the core business, excluding the railway division. However, the company has now fully integrated the railway business acquired from Escorts Kubota and has not divulged details separately. Hence, a like-for-like comparison with our estimates and with last year's financials is not possible.
- Consol. revenue/EBITDA/adj. PAT rose ~24%/13%/11% YoY to INR11.4b/INR2.9b/INR1.7b. Revenue growth was largely driven by the integration of the railway division.
- BEV revenue was down 17% YoY, with BEV contribution falling to 30% in 1HFY26 from 36% YoY.
- EBITDA margins fell 230bp YoY to 25.3% due to an adverse mix, lower operating leverage and the integration of the railway business.
- Overall, 2Q PAT grew 13% YoY to INR1.7b.
- For 1HFY26, revenue/adj. PAT grew 9.7%/2.1% YoY, while EBITDA fell ~3%. We expect revenue/EBITDA/PAT to grow ~35%/30%/23% YoY in 2HFY26.
- The company generated a cash flow from operations (CFO) of INR3.4b in 1H and incurred a capex of INR2b. FCF stood at INR1.4b. Cash balance stood at INR10b as of Sep'25.

Highlights from the management commentary

- The company won new orders worth INR10b in 2Q, and the net order book stood at INR236b (6.6x FY25 revenue). EV mix in this order book was 70%.
- New order wins in 2Q included: 1) first order for its driveline plant in Mexico to supply differential assemblies to an existing customer, a North American OEM of recreational off-highway vehicles worth INR2.6b, with SOP from 2QFY28, and 2) two more programs to supply its integrated motor controller modules for the active suspension systems, one from existing Asian EV maker (INR6.4b) and other from European luxury PV OEM (INR1.8b).
- The company has signed an MoU with Neura Robotics (Germany) to jointly develop advanced technologies, components, and subassemblies for robots and humanoids targeted at India and other agreed markets. The addressable market for these products could be bigger than the automotive industry size in the next 15 years.
- Three direct driveline competitors in the EU have filed for insolvency in the past six months. Sona BLW is emerging as a key beneficiary of the same, as it is seeing a meaningful rise in customer RFQs for new business.

Valuation and view

- We earlier valued the railway division separately. However, given that the company would not be disclosing segmental financials, we have now integrated the railway division's financials into our estimates. As a result, we have upgraded the earnings estimates by 27%/20% for FY26/FY27. However, this would also warrant a de-rating for the consolidated entity, in our view. Hence, we lower our target multiple for the consolidated entity to 34x from 36x earlier for the core. As a result, our TP now stands at INR448 per share (valued at 34x Sep'27E EPS). Maintain Neutral.

Consol. quarterly performance

Y/E March	FY25				FY26				FY25	FY26E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE*
Net operating revenues	8,930	9,251	8,680	8,494	8,509	11,435	11,863	12,309	35,545	43,384	8,883
Change (%)	22.0	17.0	11.8	-4.0	-4.7	23.6	36.7	44.9	11.6	22.1	-4.0
EBITDA	2,512	2,549	2,342	2,160	2,026	2,891	3,001	3,092	9,753	11,009	2,194
EBITDA Margins (%)	28.1	27.6	27.0	25.4	23.8	25.3	25.3	25.1	27.4	25.0	24.7
Depreciation	606	626	666	646	670	716	725	729	2,544	2,840	680
EBIT	1,905	1,923	1,677	1,513	1,356	2,174	2,276	2,363	7,209	8,169	1,514
EBIT Margins (%)	21.3	20.8	19.3	17.8	15.9	19.0	19.2	19.2	20.3	18.5	17.0
Interest	86	106	58	52	53	52	45	32	302	182	35
Non-Operating Income	70	210	468	522	442	170	250	497	1,269	1,358	350
PBT	1,889	1,918	2,030	2,147	1,652	2,276	2,481	2,828	8,173	9,345	1,829
Effective Tax Rate (%)	25.0	25.1	25.8	23.8	26.3	25.1	25.2	25.6	24.2	0.3	25.2
Adjusted PAT	1,417	1,546	1,564	1,473	1,309	1,717	1,856	2,104	6,200	6,990	1,368
Change (%)	24.0	20.2	17.1	-0.6	-7.6	13.0	19.7	39.1	27.3	12.8	-9.9
Cost Break-up											
RM Cost (% of sales)	42.4	44.0	44.1	44.3	44.6	47.8	47.7	47.6	43.5	47.1	45.8
Staff Cost (% of sales)	8.5	8.5	9.4	9.2	10.3	9.0	9.0	8.8	8.9	9.2	9.4
Other Cost (% of sales)	20.9	19.9	19.5	21.0	21.3	17.9	18.0	18.5	20.2	18.7	20.8

*our estimates were for core business (ex-tractors), hence not comparable



Key takeaways from the management interaction

Business update

- Growth in 2Q primarily came from the integration of the tractor division and healthy demand in traction motors, while other segments saw flat to moderate growth.
- BEV revenue fell 17%, with BEV contribution falling to 30% in 1H from 36% YoY. The decline was primarily due to issues faced by a major customer in a specific EV model that saw a fall in production volumes.
- Hybrid revenue share stood at 24% of the automotive revenue.
- Margins were lower YoY due to an adverse product mix, lower operating leverage and the integration of the railway business.
- RoCE and RoE dipped temporarily due to the recent capital raise, but management expects them to improve going forward.
- Three direct driveline competitors in the EU have filed for insolvency in the past six months. Sona BLW is emerging as a key beneficiary of the same, as it is seeing a meaningful rise in customer RFQs for new business.
- Sona Comstar and JNT have mutually agreed to put their proposed joint venture in China in abeyance due to geopolitical challenges.
- Demand uncertainty persists given the evolving tariff situation in the US. However, the US govt's decision to relax tariffs for OEMs that have assembly plants in the US comes as a relief to many of Sona's key OEMs in the US.
- Margin guidance (with Railway division merger) stands at 24-26% range.

Order book update

- The total net order book stood at INR236b as of 2Q end, with EVs forming 70% of the order book. As a prudent measure, management has adjusted its order book for orders that seem difficult to fructify due to global headwinds.
- Sona Comstar now has 62 active programs across 32 customers, with 29 programs yet to commence production. The company added two new EV programs in 2Q.
- It received its first order for the driveline plant in Mexico to supply differential assemblies to an existing North American OEM of recreational off-highway vehicles. This program added INR2.6b to the order book and is expected to start production in 2QFY28. This is the second order from the same customer, validating its decision to set up the Mexico plant.
- Sona has been nominated for two programs to supply integrated motor controller modules for active suspension systems: 1) One from an existing Asian EV OEM (INR6.4b order), 2) the other from a European luxury performance car OEM (INR1.8b order).
- These two programs are expected to start production in 2QFY27. The orders will be supplied from Sona to ClearMotion and then to the end customers, showcasing the increasing adoption of its suspension motor systems.
- The railway order book stood at INR13b and these orders are likely to be executed within the next 12 months.

Customer diversification

- Top 5 customers contributed 51% of 2Q revenue, down from 62% in FY22. Top 10 customers contributed to 72% of revenue, down from 80% in FY22.

- The largest customer's share in FY25 has come down from 23% to 6% in 2QFY26, indicating a strong ramp-up in other customers. Similarly, the current largest customer, two out of the top 5, and three out of the top 10 customers were not present in the customer base in FY22.

External headwinds

- Impact on Sona due to the ongoing Nexperia chip shortage is limited as this has more impact on European OEMs.
- The Novelis aluminum plant fire in the US has affected Ford's production, including F-Series, for which Sona is a supplier. This is expected to have some impact on supplies to this OEM in the near term.

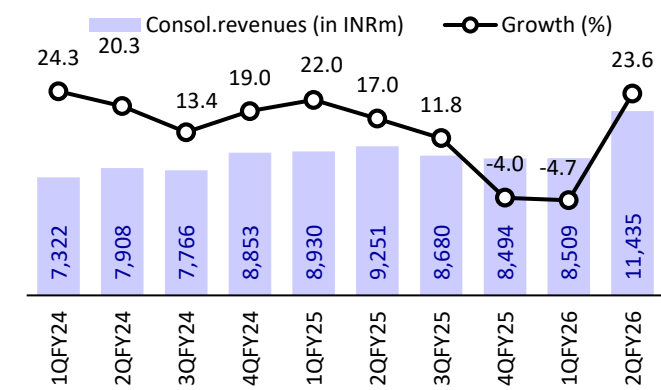
Technological developments and innovations

- Sona Comstar has signed an MoU with Neura Robotics (Germany) to jointly develop advanced technologies, components, and subassemblies for robots and humanoids targeted at India and other agreed markets. Management expects a meaningful ramp-up in this segment after five years. However, the addressable market for these products could be bigger than the automotive industry size in the next 15 years.
- The company successfully developed, tested, and validated a rare-earth-free, ferrite-assisted synchronous reluctance motor for electric three-wheelers and light commercial vehicles. This includes both mid-drive and hub motor configurations. The new motor is not dependent on China for raw materials and offers performance comparable to ferrite motors. The ferrite free motor has lower temperature-related degradation, making it a viable and cost-effective alternative.

Update on railway business

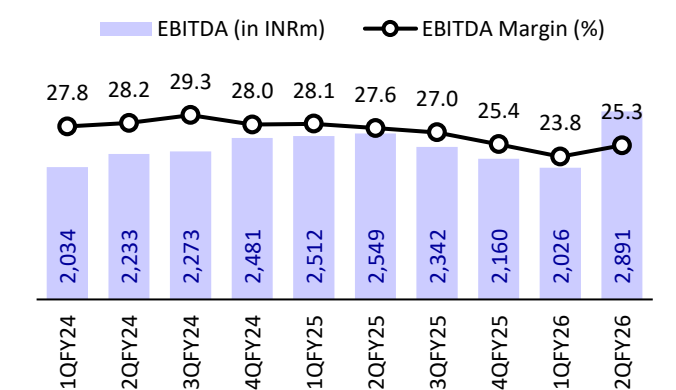
- The company remains optimistic about medium-term potential in the railway segment.
- New products are in testing or development phases, and strong growth is expected over the next five years.
- The company sees a large opportunity to improve the cash conversion cycle in this vertical.

Exhibit 1: Trend in revenue

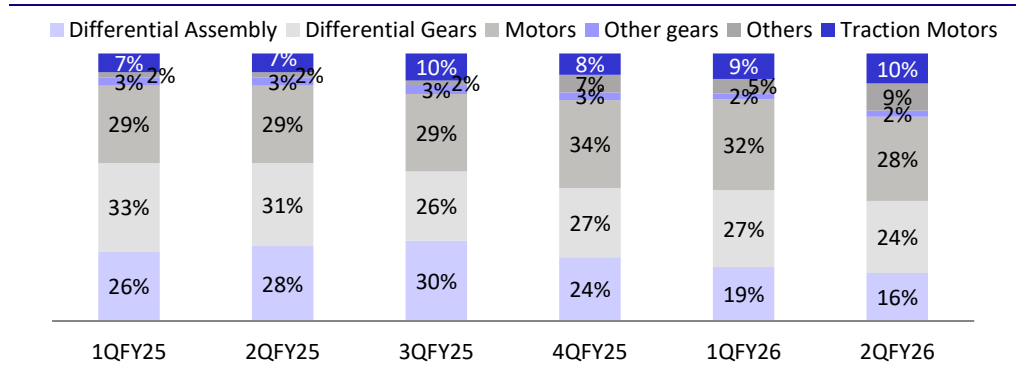


Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin trends



Source: Company, MOFSL

Exhibit 3: Revenue breakup for SONACOMS


Source: Company, MOFSL

Valuation and view

A unique blend of increasing EV share, global scale, and strong financials

- Best proxy on global megatrends of electrification and premiumization:** SONACOMS offers a clean global play on the megatrends of electrification and premiumization. Its product portfolio of differential gears, motors, and sensors is on the right side of the auto industry evolution, with a substantial increase in content in EV products. It is also well-prepared for EV-specific components such as traction motors, controllers, and 48V BSG. It also benefits from the structural premiumization trend observed across segments – PVs (SUVs, 4WDs, BEVs), CVs (MAVs), and tractors (higher HP, 4WDs). The BEV segment already contributed 30% of revenue in 1HFY26 (vs. 36%/29%/26%/25% in FY25/FY24/FY23/FY22) and accounted for 70% of the order book.
- Unique positioning of increasing EV sales, global scale, and a strong financial profile:** SONACOMS' unique positioning is driven by 1) a sizeable and increasing presence in EVs, 2) global scale and presence, 3) an expanding customer base, and 4) a strong financial profile. It is a dominant player in the Indian differential gears market and has been gaining market share globally in key product segments – differential gears (8.8% in CY24 vs. 8.1% in CY23), and starter motors (4.4% in CY23 vs. 4.2% in CY23). More importantly, it is truly a global player with a presence across the key markets of North America (~30%), India (~45%), the EU (~19%) and Asia (ex-India; ~6%).
- Investing in R&D for future growth:** Its approach is to own the technology to capture the maximum value and offer the best products to its customers. Management indicated an increase in R&D spending in FY25 by ~100bp to ~3.3-3.4% of revenue, signifying its sustained focus on product innovation. Its technology roadmap focuses on developing new products, which help the company increase its share from EVs and reduce dependence on ICE vehicles. Additionally, it aims to capitalize on the EV opportunity at both ends of the power spectrum and eventually offer both product categories to all market segments. SONACOMS is among the few players that are well placed to combine their motor-driveline capabilities to offer integrated drive units with three key components: differential assembly, high-voltage traction motors, and high-voltage inverters.
- Foray into the railway equipment business:** SONACOMS has acquired Escorts Kubota's railway equipment division (RED) for an EV of INR16b. Escorts Kubota

is the market leader in the railway brake system. Moreover, the acquisition is expected to be EPS-accretive for the company from the first year. We view this as an unrelated acquisition with minimal synergy benefits.

- **Valuation and view:** We were earlier valuing Railways division separately. However, given that the company would not be disclosing segmental financials, we have now integrated the Railways division financials into our estimates. This has resulted in earnings upgrade of 27% /20% for FY26E / FY27E. However, this would also warrant a de-rating for the consolidated entity, in our view. Hence, we lower our target multiple for the consolidated entity to 34x from 36x earlier for the core. As a result, our TP now stands at INR448 per share (valued at 34x Sep27E EPS). Maintain Neutral.

Exhibit 4: Revisions to our estimates

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	44,116	36,244	21.7	49,089	41,046	19.6
EBITDA	11,009	9,009	22.2	12,252	10,522	16.4
EBITDA (%)	25.0	24.9	10bp	25.0	25.6	-70bp
Net Profit	6,990	5,494	27.2	7,733	6,464	19.6

Key operating indicators

Exhibit 5: Expect steady revenue growth over FY25-28E

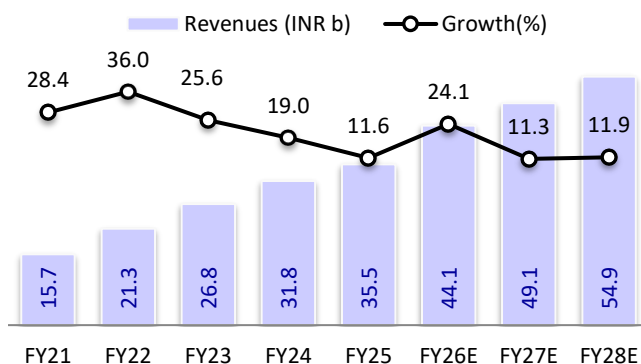


Exhibit 6: EBITDA margin to remain under pressure

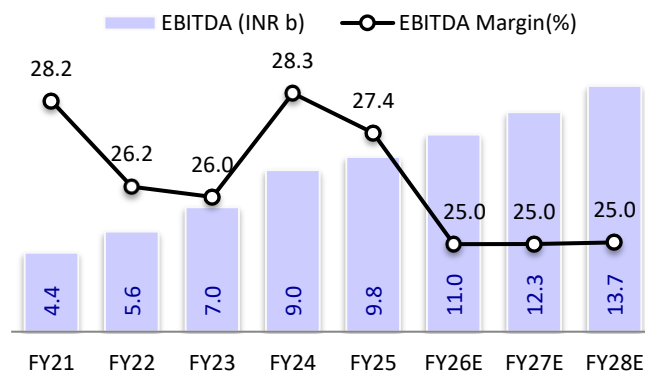


Exhibit 7: Expect 12% PAT CAGR over FY24-27E

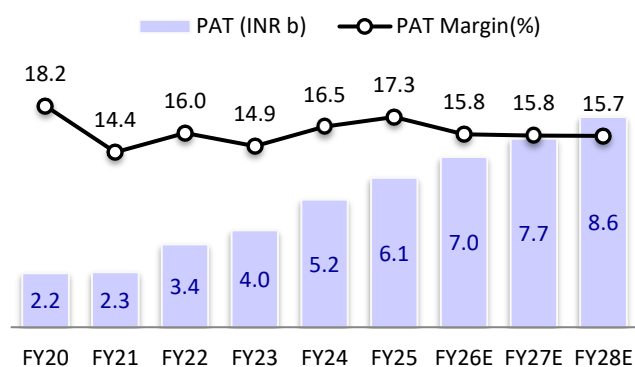


Exhibit 8: RoCE and RoE trends over the years

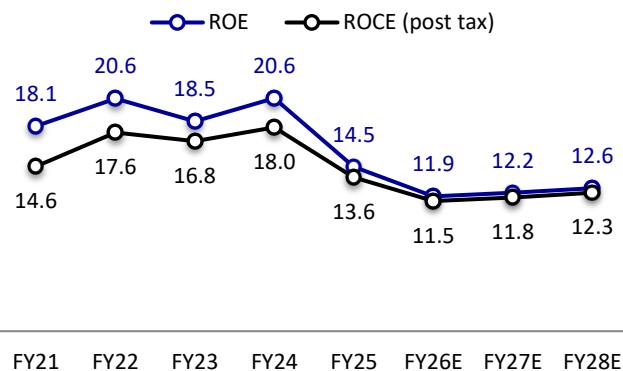


Exhibit 9: Capex to be funded from internal accruals

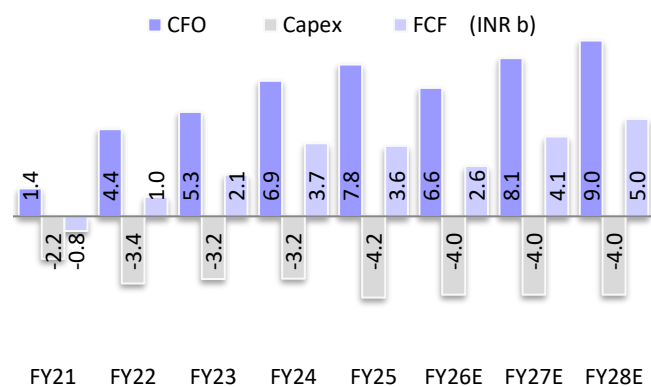
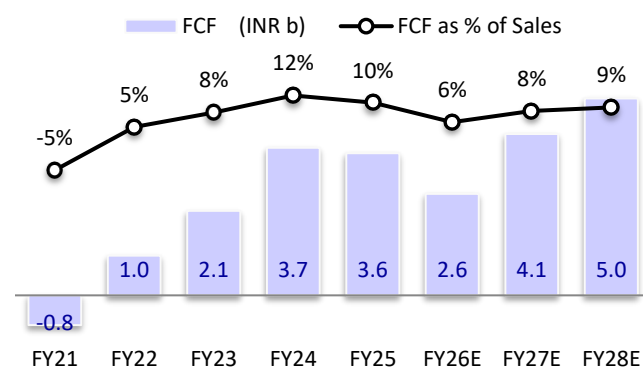


Exhibit 10: FCF should continue to improve



Financials and valuations

Income Statement						(INR m)		
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net operating income	15,663	21,306	26,756	31,848	35,545	44,116	49,089	54,921
Change (%)	28.4	36.0	25.6	19.0	11.6	24.1	11.3	11.9
EBITDA	4,410	5,591	6,958	9,021	9,753	11,009	12,252	13,726
EBITDA Margin (%)	28.2	26.2	26.0	28.3	27.4	25.0	25.0	25.0
Depreciation	969	1,420	1,780	2,202	2,544	2,840	3,195	3,579
EBIT	3,441	4,171	5,178	6,819	7,209	8,169	9,058	10,147
EBIT Margin (%)	22.0	19.6	19.4	21.4	20.3	18.5	18.5	18.5
Interest cost	325	183	169	258	302	182	178	182
Other Income	23	200	116	239	1,269	1,358	1,459	1,579
Non-recurring Exp/(Inc)	139	-267	34	87	193	0	0	0
PBT after EO	3,000	4,456	5,091	6,713	7,983	9,345	10,339	11,544
Effective Tax Rate (%)	28.3	18.9	22.4	22.9	24.9	25.2	25.2	25.2
Reported PAT	2,152	3,615	3,953	5,178	5,997	6,990	7,733	8,635
Adj. PAT	2,251	3,399	3,979	5,245	6,142	6,990	7,733	8,635
Change (%)	1.5	51.0	17.1	31.8	17.1	13.8	10.6	11.7

Balance Sheet						(INR m)		
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sources of Funds								
Share Capital	5,730	5,844	5,854	5,864	6,217	6,217	6,217	6,217
Reserves	7,309	14,159	17,048	20,639	48,731	53,079	57,859	63,230
Minority interest	0	0	0	1,498	1,499	1,499	1,499	1,499
Net Worth	13,039	20,003	22,902	28,001	56,447	60,795	65,575	70,946
Deferred Tax	1,260	884	876	1,261	1,252	1,252	1,252	1,252
Loans	3,052	704	2,175	2,331	2,022	2,022	2,022	2,022
Other non-current liabilities	721	698	661	2,200	2	2	2	2
Capital Employed	18,073	22,288	26,614	33,793	59,723	64,071	68,852	74,222
Application of Funds								
Gross Fixed Assets	6,395	9,382	12,889	16,323	20,411	24,411	28,411	32,411
Less: Depreciation	1,353	2,189	3,245	4,808	6,680	9,062	11,799	14,920
Net Fixed Assets	5,042	7,193	9,644	11,515	13,731	15,349	16,612	17,491
Intangibles	5,948	5,995	6,122	6,704	6,868	6,868	6,868	6,868
Amortisation	582	1,105	1,647	2,232	2,844	3,302	3,760	4,218
Net Intangibles	5,366	4,890	4,474	4,472	4,023	3,565	3,108	2,650
Capital WIP	832	1,474	911	3,636	4,195	4,195	4,195	4,195
Goodwill on consolidation	1,758	1,758	1,758	3,518	3,518	3,518	3,518	3,518
Investments	0	65	2,326	417	11,182	4,958	7,958	10,958
Curr.Assets, L & Adv.	8,750	10,577	11,485	15,090	28,721	39,707	41,496	44,400
Inventory	3,056	3,634	3,229	3,475	3,487	4,328	4,815	5,388
Sundry Debtors	4,170	4,452	6,089	6,483	7,052	8,752	9,739	10,896
Cash & Bank Balances	276	773	698	2,742	10,475	17,799	17,207	17,319
Loans & Advances	15	65	92	110	540	121	134	150
Others	1,234	1,654	1,376	2,281	7,168	8,707	9,599	10,646
Current Liab. & Prov.	3,676	3,669	3,984	4,856	5,647	7,220	8,034	8,989
Sundry Creditors	2,241	2,190	2,489	2,981	3,238	4,230	4,707	5,266
Other Liabilities	1,275	1,274	1,256	1,545	1,995	2,476	2,755	3,083
Provisions	159	206	239	330	414	514	572	640
Net Current Assets	5,075	6,908	7,501	10,235	23,074	32,487	33,462	35,411
Application of Funds	18,073	22,288	26,614	33,793	59,723	64,071	68,852	74,222

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)								
EPS	3.9	5.8	6.8	8.9	9.9	11.2	12.4	13.9
EPS Growth (%)	-91.6	48.0	16.9	31.6	10.5	13.8	10.6	11.7
Cash EPS	5.4	8.6	9.8	12.6	13.7	15.8	17.6	19.6
Book Value per Share	22.8	34.2	39.1	47.7	90.8	97.8	105.5	114.1
DPS	18.9	0.8	1.5	3.1	3.8	4.3	4.8	5.3
Payout (Incl. Div. Tax) %	504.1	12.4	22.7	34.7	38.9	37.8	38.2	37.8
FCF (INR/sh)	-1.3	1.7	3.6	6.4	5.8	4.1	6.6	8.0
Valuation (x)								
P/E	122.4	82.7	70.8	53.8	49.0	43.0	38.9	34.8
EV/EBITDA	63.1	50.4	40.4	31.4	28.8	25.4	22.7	20.0
EV/Sales	17.8	13.2	10.5	8.9	7.9	6.3	5.7	5.0
Price to Book Value	21.1	14.1	12.3	10.1	5.3	4.9	4.6	4.2
Dividend Yield (%)	3.9	0.2	0.3	0.6	0.8	0.9	1.0	1.1
FCF Yield (%)	-0.3	0.4	0.8	1.3	1.2	0.9	1.4	1.7
Profitability Ratios (%)								
RoE	18.1	20.6	18.5	20.6	14.5	11.9	12.2	12.6
RoCE (post-tax)	14.6	17.6	16.8	18.0	13.6	11.5	11.8	12.3
RoIC	16.2	18.3	18.9	21.2	17.8	17.2	17.7	18.7
Turnover Ratios								
Debtors (Days)	97	76	83	74	72	72	72	72
Inventory (Days)	71	62	44	40	36	36	36	36
Creditors (Days)	52	38	34	34	33	35	35	35
Working Capital (Days)	116	101	93	80	75	73	73	73
Asset Turnover (x)	0.9	1.1	1.1	1.1	0.8	0.7	0.7	0.8
Leverage Ratio								
Net Debt/Equity (x)	0.2	0.0	0.0	0.0	-0.3	-0.3	-0.4	-0.4

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
(INR m)								
Profit before Tax	3,000	4,456	5,091	6,713	7,983	9,345	10,339	11,544
Depreciation & Amort.	969	1,420	1,780	2,202	2,544	2,840	3,195	3,579
Direct Taxes Paid	-528	-544	-1,102	-1,553	-1,740	-2,355	-2,605	-2,909
(Inc)/Dec in Working Capital	-2,070	-890	-630	-644	-556	-2,088	-1,567	-1,838
Interest/Div. Received	-29	-179	-112	-209	-805	-1,358	-1,459	-1,579
Other Items	85	183	307	418	326	182	178	182
CF after EO Items	1,427	4,446	5,333	6,928	7,752	6,566	8,080	8,979
(Inc)/Dec in FA+CWIP	-2,180	-3,438	-3,196	-3,191	-4,155	-4,000	-4,000	-4,000
Free Cash Flow	-753	1,008	2,136	3,736	3,597	2,566	4,080	4,979
Interest/dividend received	22	179	31	204	602	1,358	1,459	1,579
(Pur)/Sale of Invest.	598	-275	-2,450	-1,724	-14,070	6,225	-3,000	-3,000
CF from Inv. Activity	-1,561	-3,534	-5,615	-4,711	-17,623	3,583	-5,541	-5,421
Inc/(Dec) in Debt	504	-2,954	1,471	94	-2,199	0	0	0
Interest Paid	-246	-92	-12	-173	-96	-182	-178	-182
Dividends Paid	-904	-450	-1,199	-1,793	-1,892	-2,642	-2,953	-3,264
Others	-21	-170	-113	84	23,623	0	0	0
CF from Fin. Activity	-667	-625	187	-1,747	19,436	-2,824	-3,131	-3,446
Inc/(Dec) in Cash	-800	287	-95	469	9,565	7,324	-592	112
Add: Beginning Balance	1,050	249	536	441	910	10,475	17,799	17,207
Closing Balance	249	536	441	910	10,475	17,799	17,207	17,319

E: MOFSL Estimates

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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