

SONA BLW PRECISION FORGINGS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.542.85 (As on 12th July 2023)

TARGET PRICE : Rs.679.00

FACE VALUE : Rs.10

BSE CODE : 543300

NSE CODE : SONACOMS



SONA COMSTAR

Precision Drivetrain Products



Our proprietary technology, developed in-house, is an advanced precision forging technology enabling high performance, consistent uniformity & superior quality.

Headquartered in Gurugram (India), Sona BLW Precision Forgings Ltd. has two business verticals namely Driveline Business and Motor Business. The Company has 9 manufacturing facilities across 4 countries (India, USA, China and Mexico). In addition to this, it also has 3 R&D Centres, 270+ R&D manpower & 4000+ employees.

ABOUT THE COMPANY

Having 40+ EV programmes across 25+ customers, the Company offers products like Differential Bevel Gears, Differential Assemblies, Portal Axle Gears and Starter Motors under Conventional Products. EV Focused Products are Differential Assemblies, Reduction Gears, Traction Motors, Motor Controllers, E-Axles and Integrated Motor Controller Module.

Our story so far...

Phase - 1

- 18 Customers
- 2 Plants
- 1 Product

Phase - 2

- 22 Customers
- 2 Plants
- 2 Products

Phase - 3

- Acquisition of Comstar
- 47 Customers (37+10)
- 9 Plants (5+4)
- 10 Products (5+5)

Phase - 4

- Started journey as public company
- 68 customers
- 9 plants
- 17 products

Revenue in INR millions

FY99 – FY23
Avg EBITDA margin 26.3%
Revenue CAGR 36.1%
Industry CAGR 9.6%

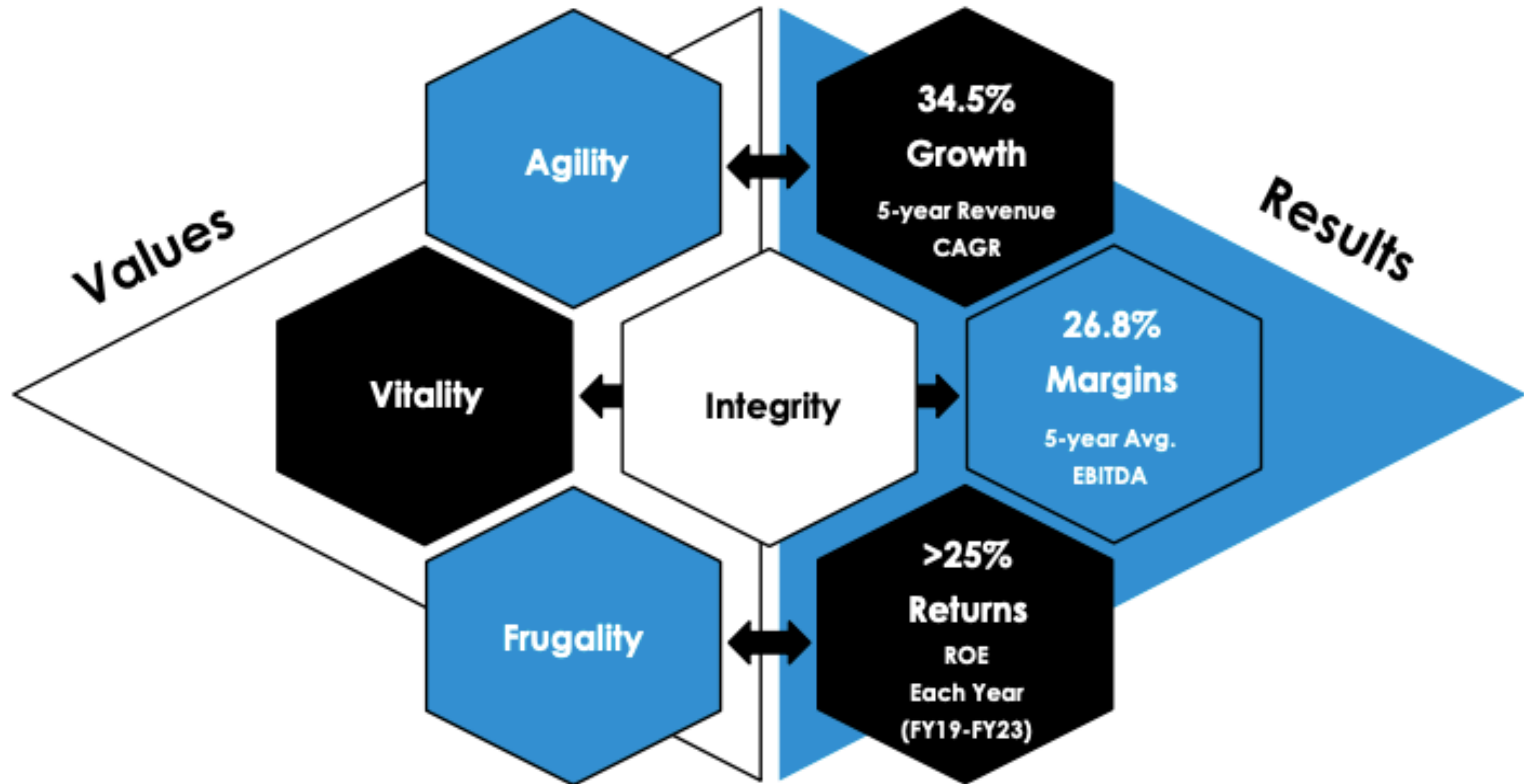
FY99– FY11
Avg. EBITDA margin 21.5%
Revenue CAGR 50.6%
Industry CAGR 14.6%

FY12– FY16
Avg. EBITDA margin 25.0%
Revenue CAGR 10.6%
Industry CAGR 1.7%

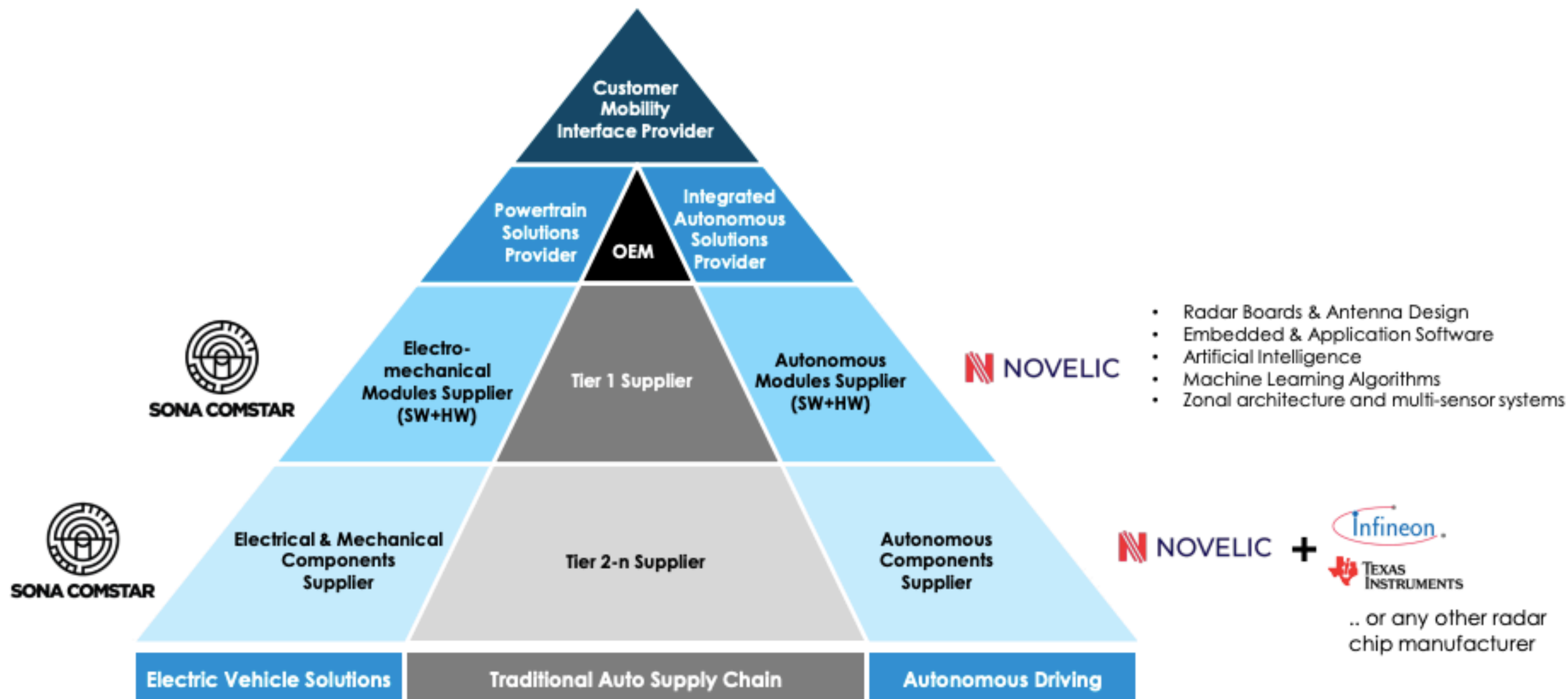
FY17– FY23
Avg. EBITDA margin 27.0%
Revenue CAGR 32.9%
Industry CAGR 4.9%






Guided by Values

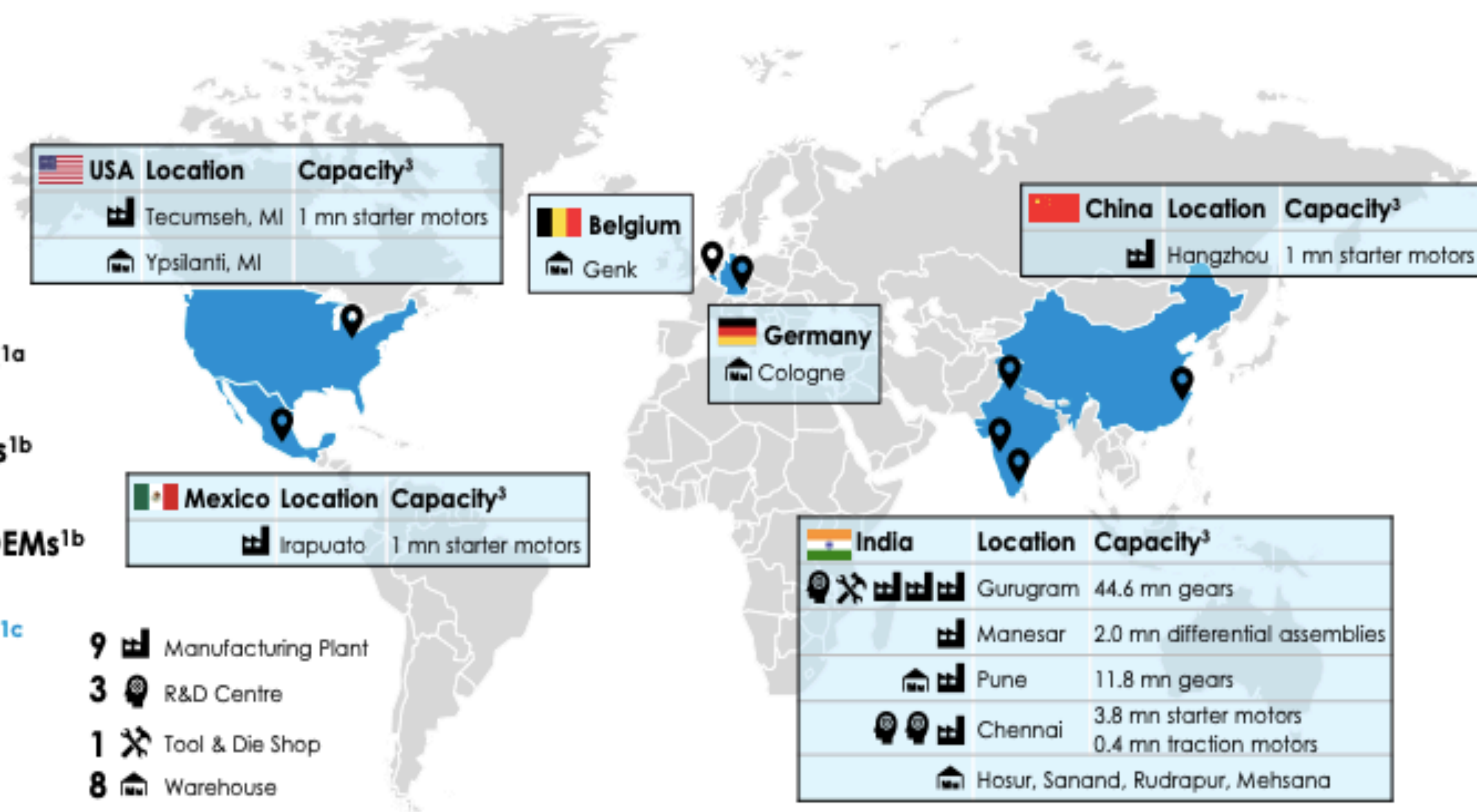


Vertically-integrated and modular electro-mechanical and autonomous solutions provider for the new EPIC value chain

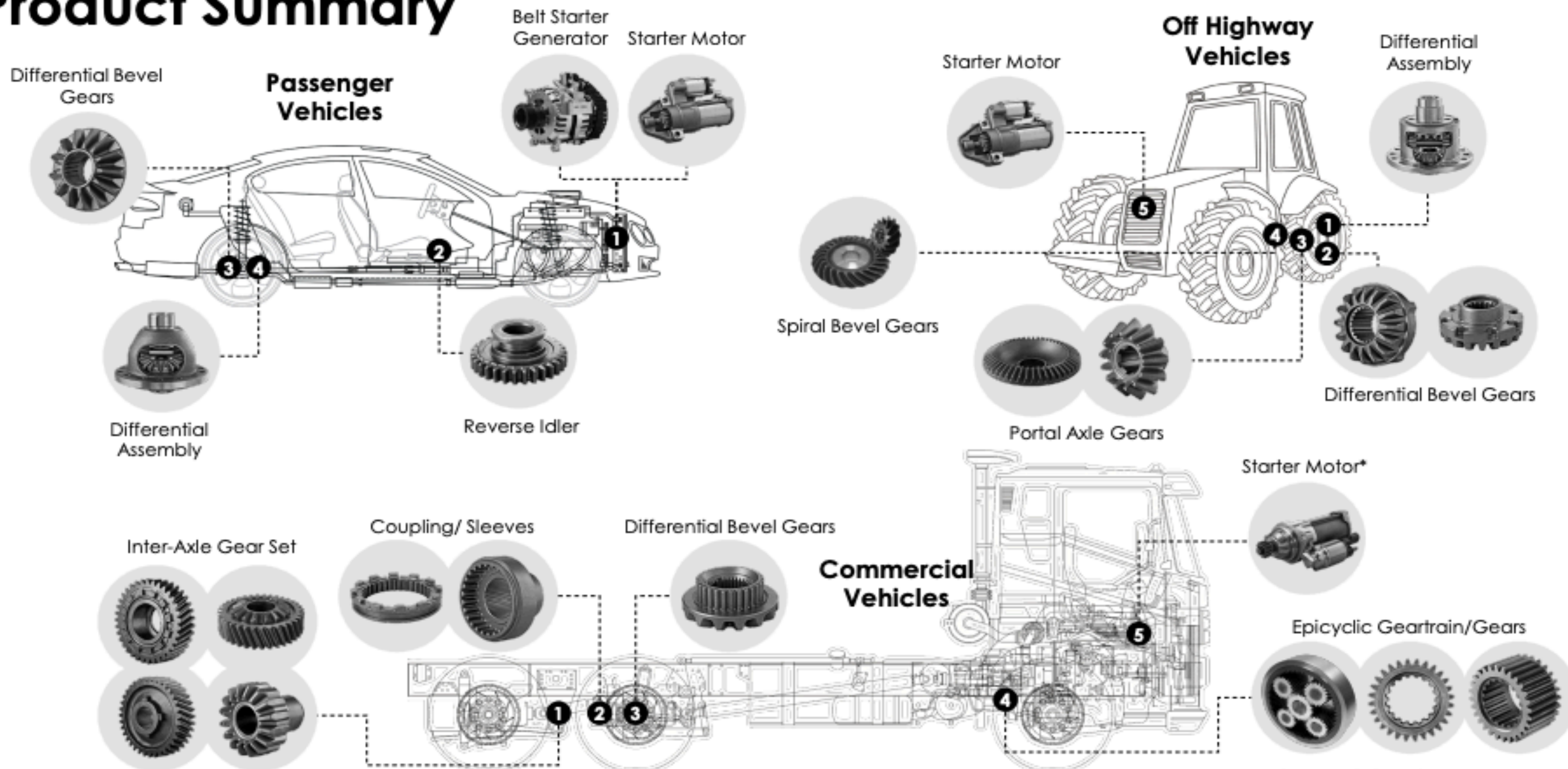


Established Global Presence to Serve Customers Locally

-  7 of the world's top 10 PV OEMs^{1a}
-  3 of the world's top 10 CV OEMs^{1b}
-  7 of the world's top 10 tractor OEMs^{1b}
-  5 of the world's top 15 EV OEMs^{1c}
-  4 of the Indian top 15 Indian e-2-Wheeler OEMs^{1d}

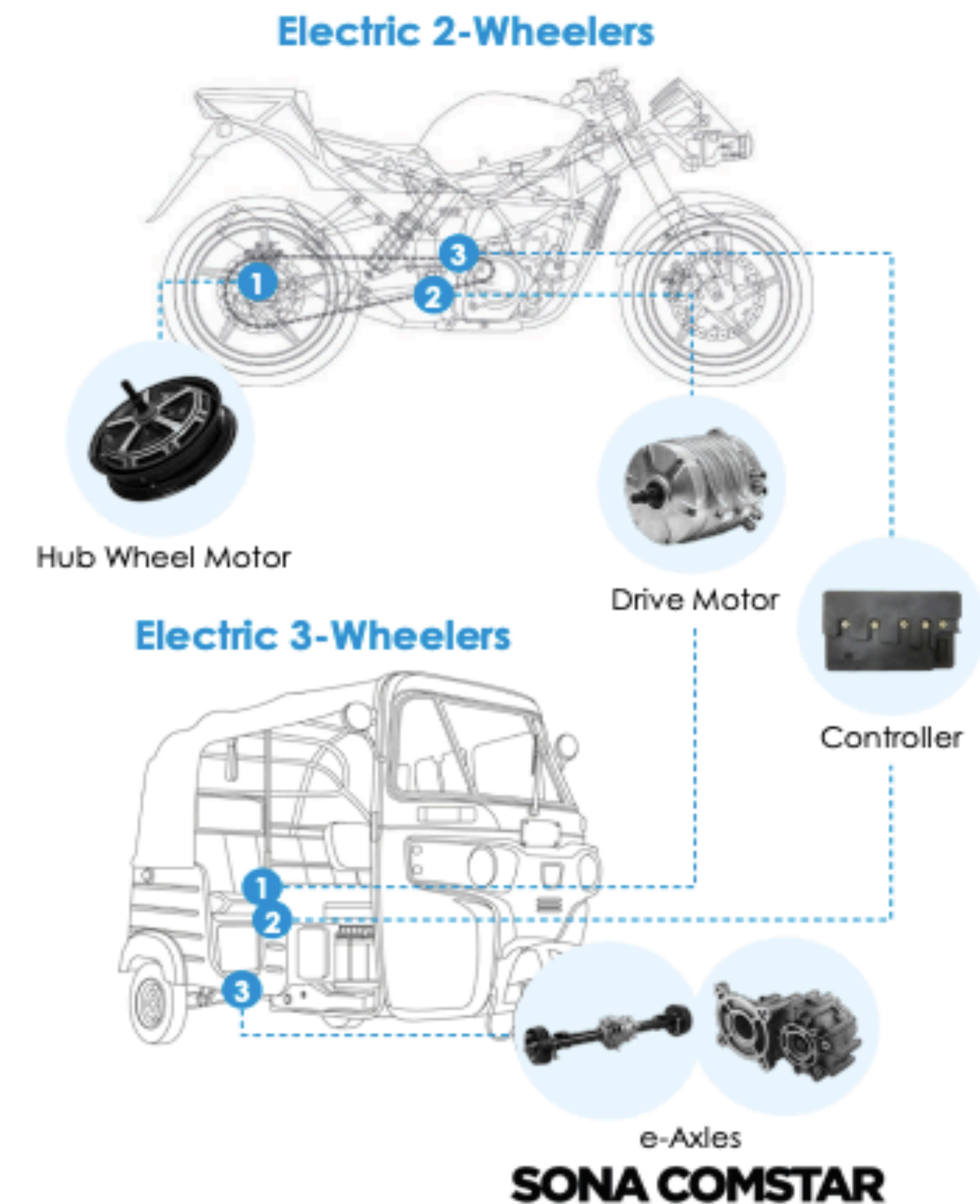
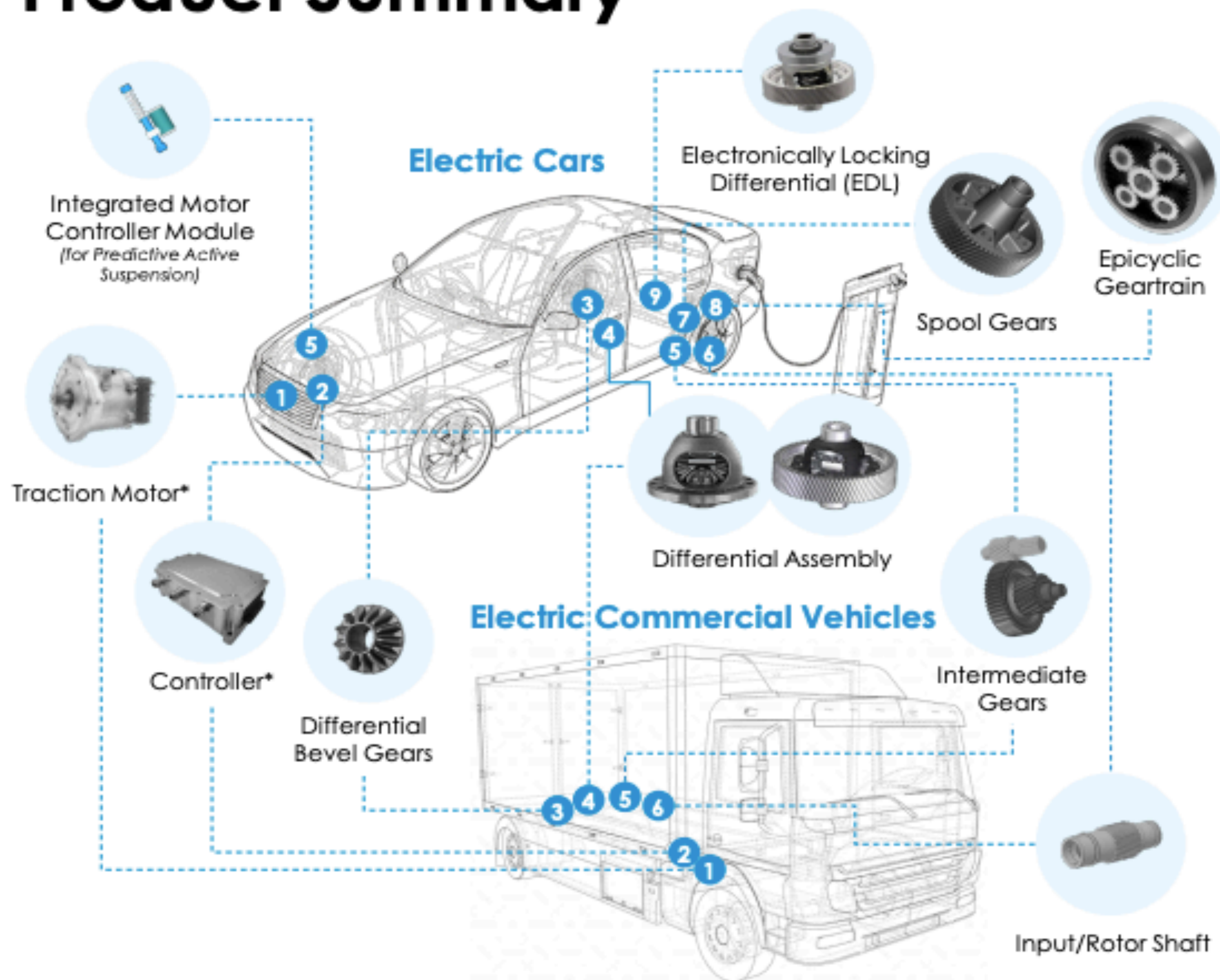


Product Summary



SONA COMSTAR

Product Summary



SONA COMSTAR

Electrification: Our Approach to Market

Driveline Solutions

Core Strength:

High Torque, High Power Density

Power Rating

Commercial

Personal

> 600 kW



300 – 600 kW



100 – 300 kW



40 – 100 kW



15 – 40 kW



5 – 15 kW



<5 kW



EV Products



Epicyclic Geartrain



Spool Gears



EDL



Final Drive assembly



Differential assemblies



Intermediate Gears & Input/Rotor Shaft



Differential gears



SRM Motor



Controllers



E-Axles



Drive Motors



Hub-wheel Motors

Motor Solutions

Core Strength:

Low Voltage, High Power Density

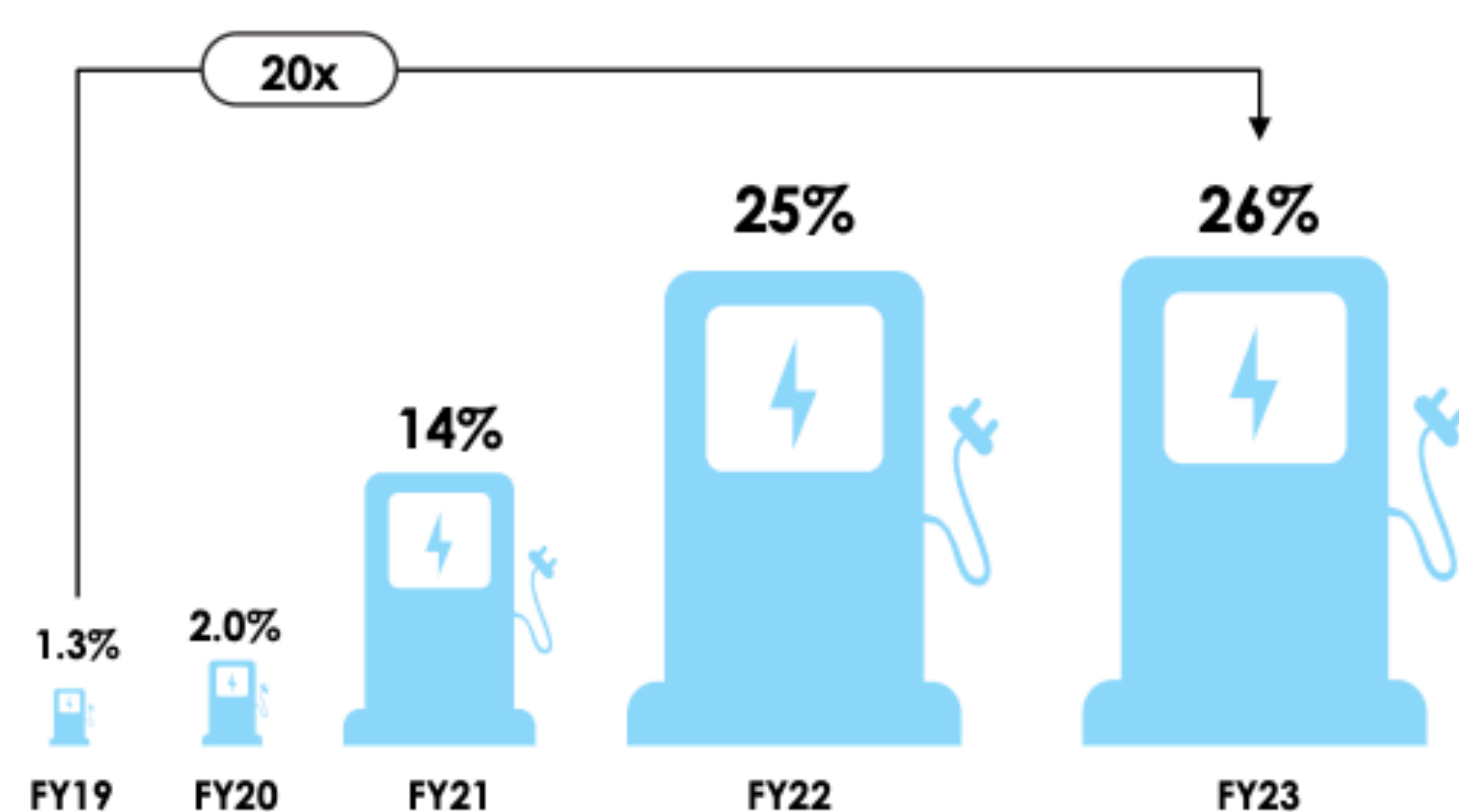
Personal

Commercial

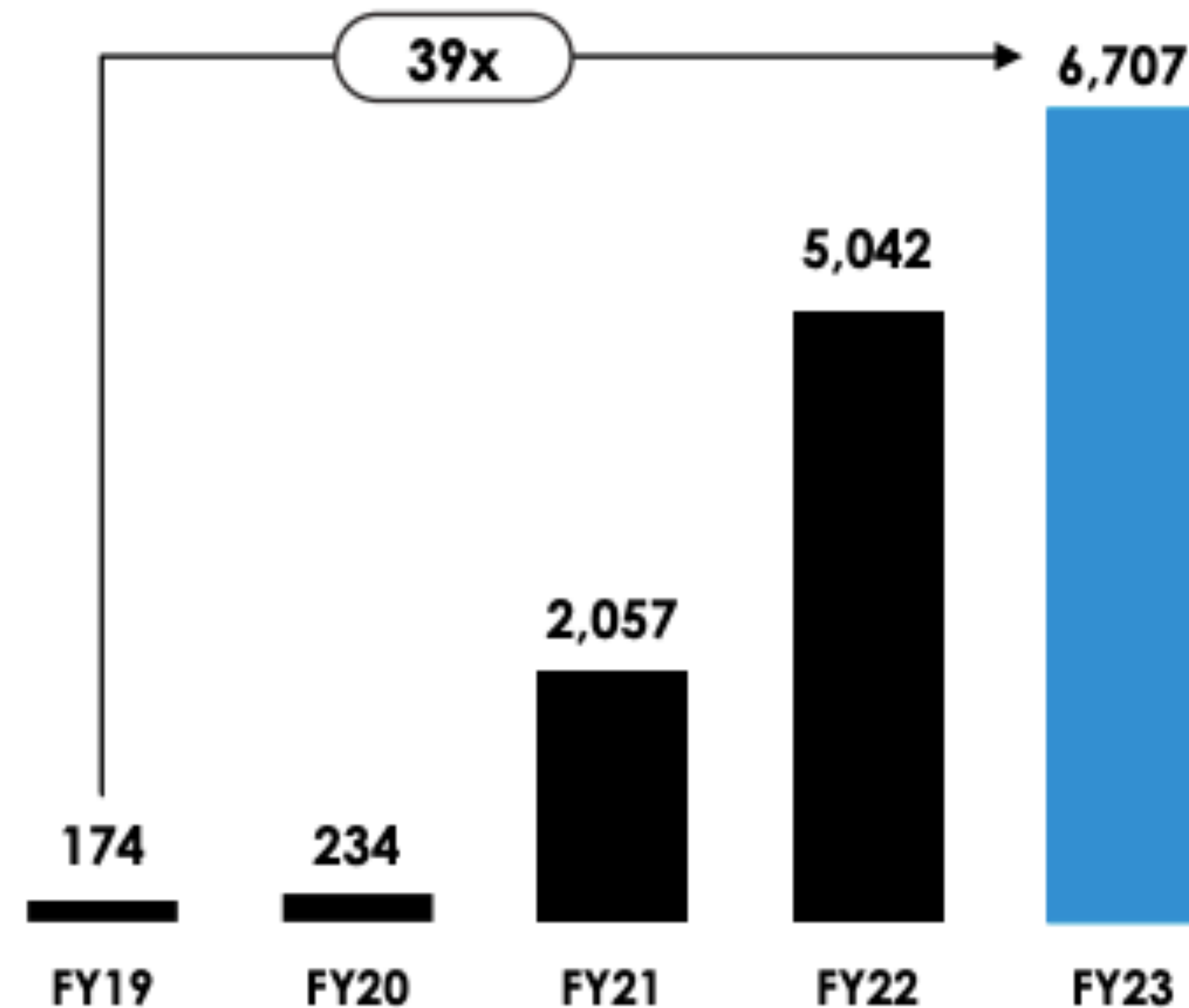


Revenue share from BEV has grown 20x over 4 years, with absolute BEV revenue growth at 39x

Revenue from BEV (%)



BEV Segment Revenue (Rs. mn)



Market Shares for Differential Gears and Starter Motors

Global Market Share of Differential Gears¹



Global Market Share of Starter Motors¹



While we continue to dominate the Indian market for Differential Gears

Passenger Vehicles



55-60%²

Commercial Vehicles



80-90%²

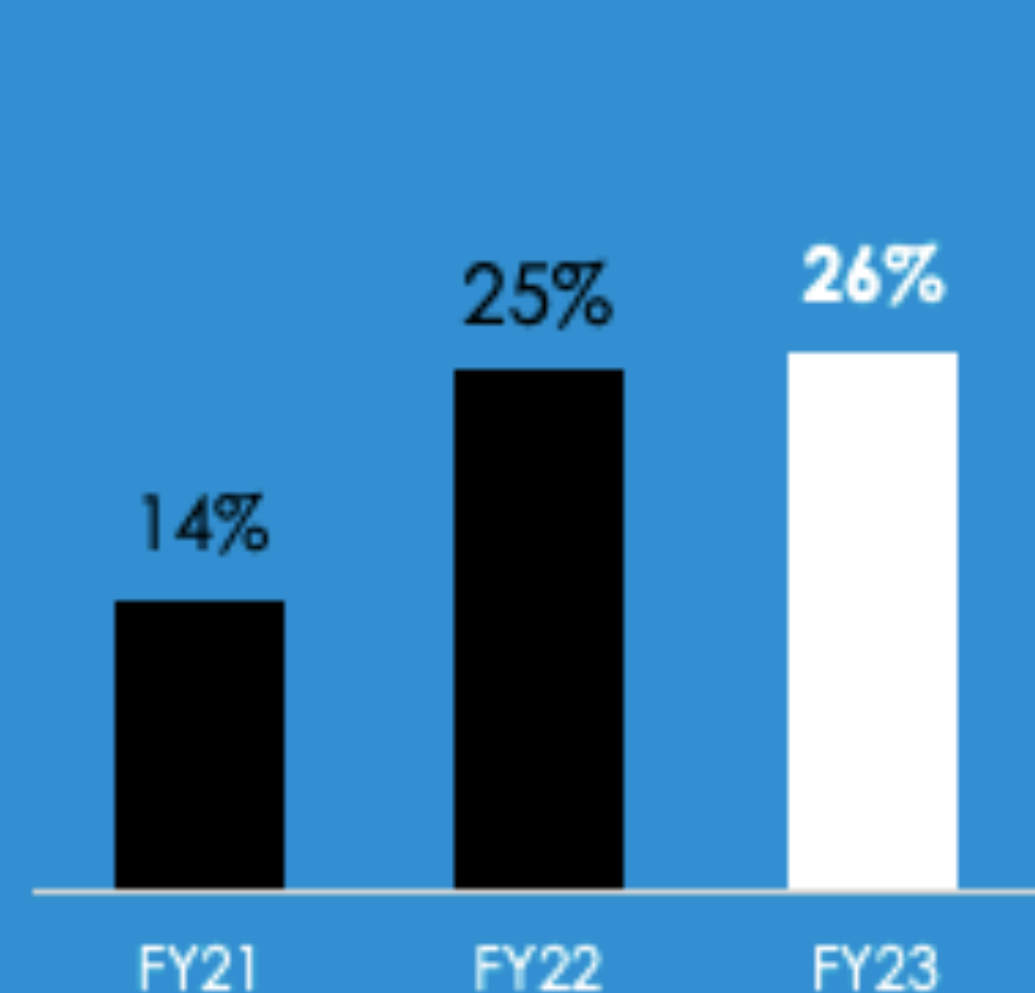
Tractors



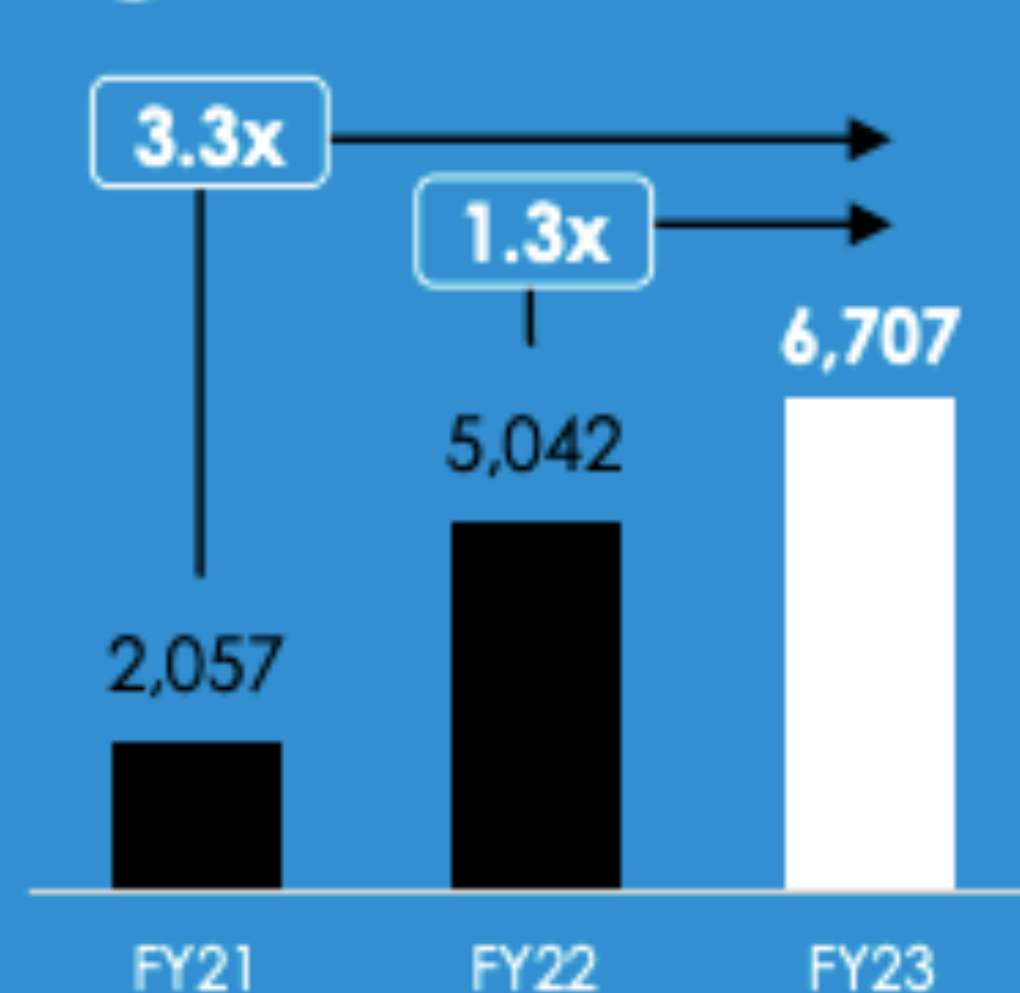
75-85%²



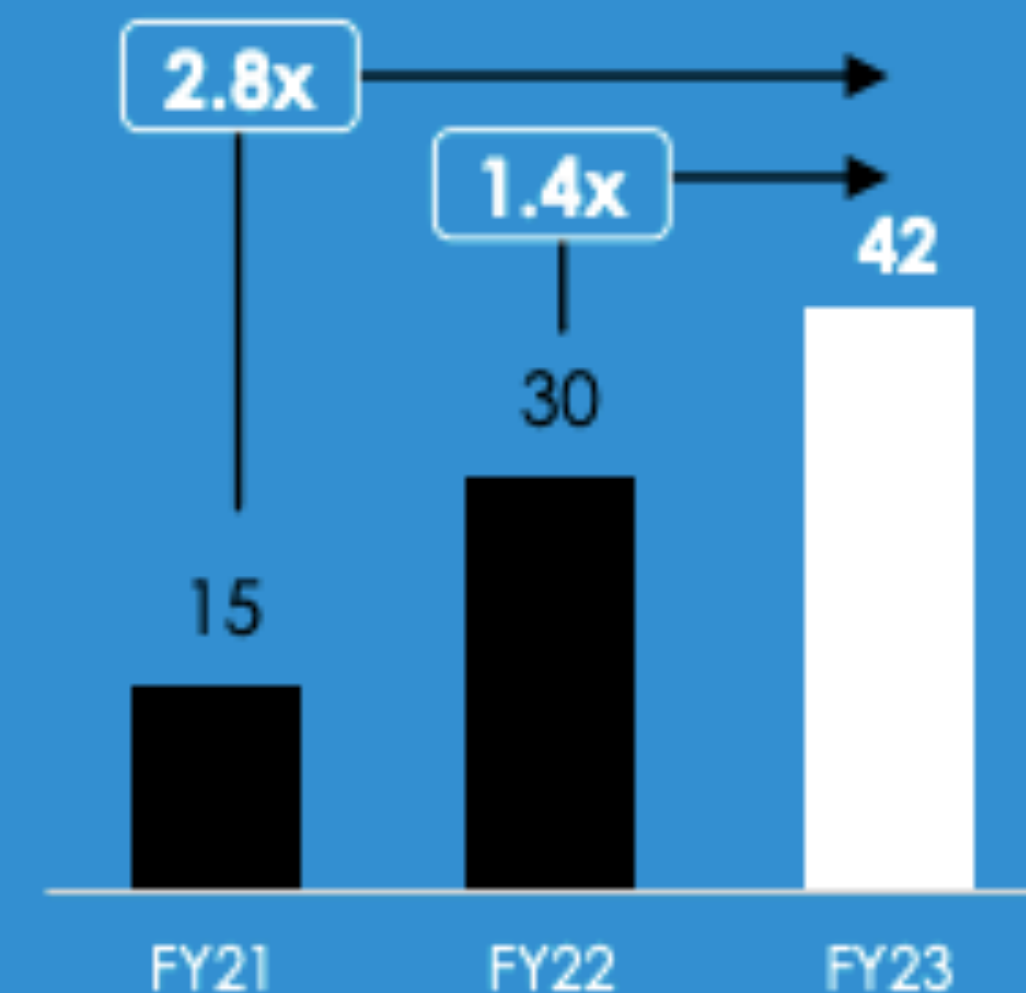
Sizeable and Increasing Presence in EVs



Revenue Share from BEV



BEV segment revenue



Cumulative No. of EV Programs awarded

41
(10+9+22)¹

EV Programs¹ awarded across 25 customers as at the end of Q3 FY23

+1

42
(10+10+22)¹

EV Programs¹ awarded across 26 customers as at the end of Q4 FY23

This new order win strengthens our presence in Electric CVs, with new products and increased revenue potential



**Final Drive Differential +
Intermediate Gears +
Input/Rotor Shaft**

For Class 4 Electric CV

North American New Age OEM of CV

₹ 5,010 mn
addition in our orderbook

Q4 FY24
SOP Year





42 EV programs across 26¹ different customers

No. of programs customers				
	22 10	-	-	5 5
	3 3	9 8	-	-
	-	3 3	-	-

- Programs in fully ramped-up production
- Programs in ramp-up or not yet in production
- Programs for geartrain components
- Programs for traction motors, IMCM and PHEV starters
- Programs for e-Axle

North America

5 Customers ▲+1

3 ● + 9 ○

12

12 ▲+1

Europe²

5 Customers

1 ● + 6 ○

5 + 2

7

Asia

4 Customers

2 ● + 2 ○

3 + 1

4

India

15 Customers

4 ● + 15 ○

7 + 9 + 3

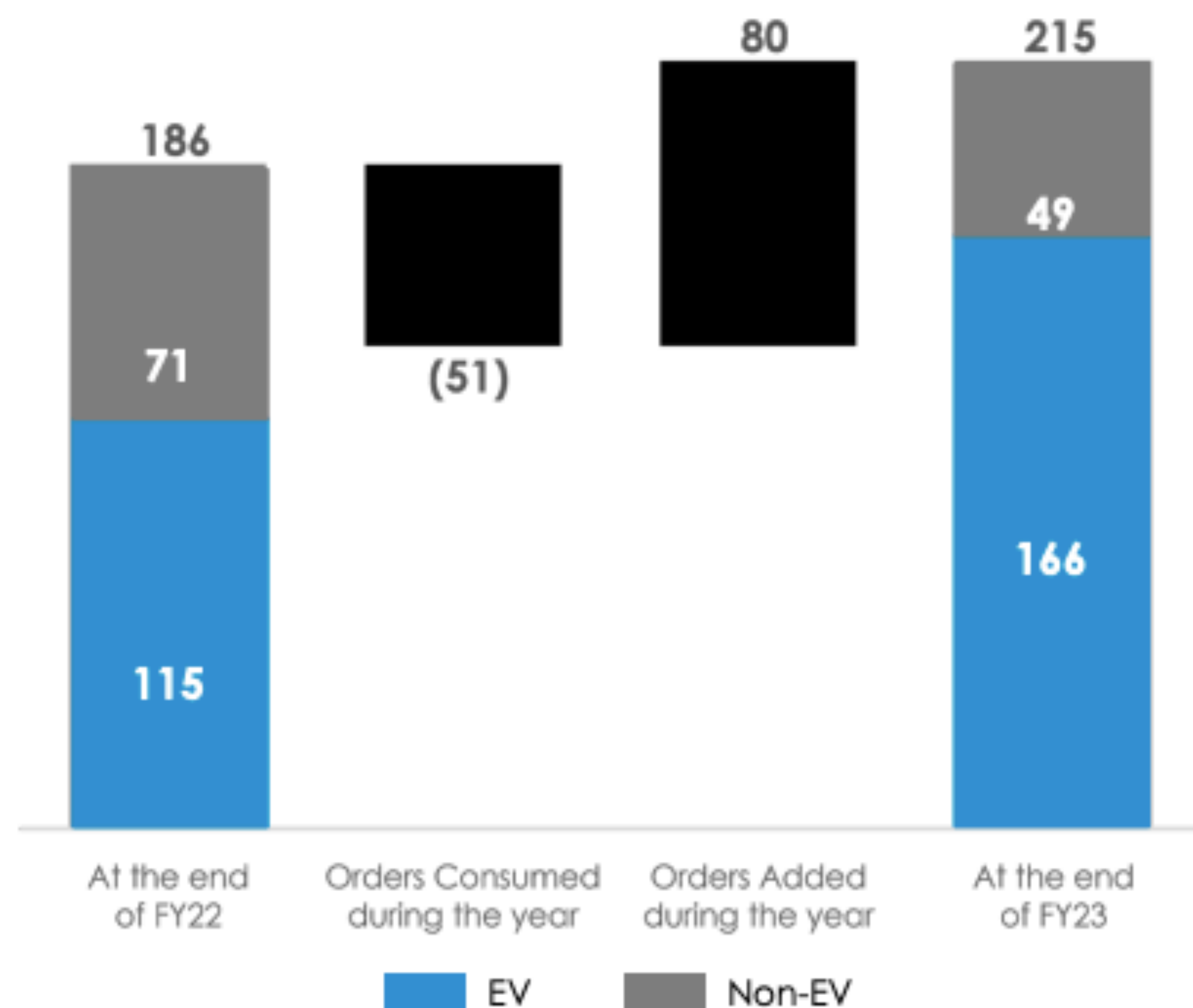
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▲+x denotes the change during Q4 FY23



Orders worth Rs. 80 bn were added to our orderbook during FY23

Net Orderbook (Rs. Billion)

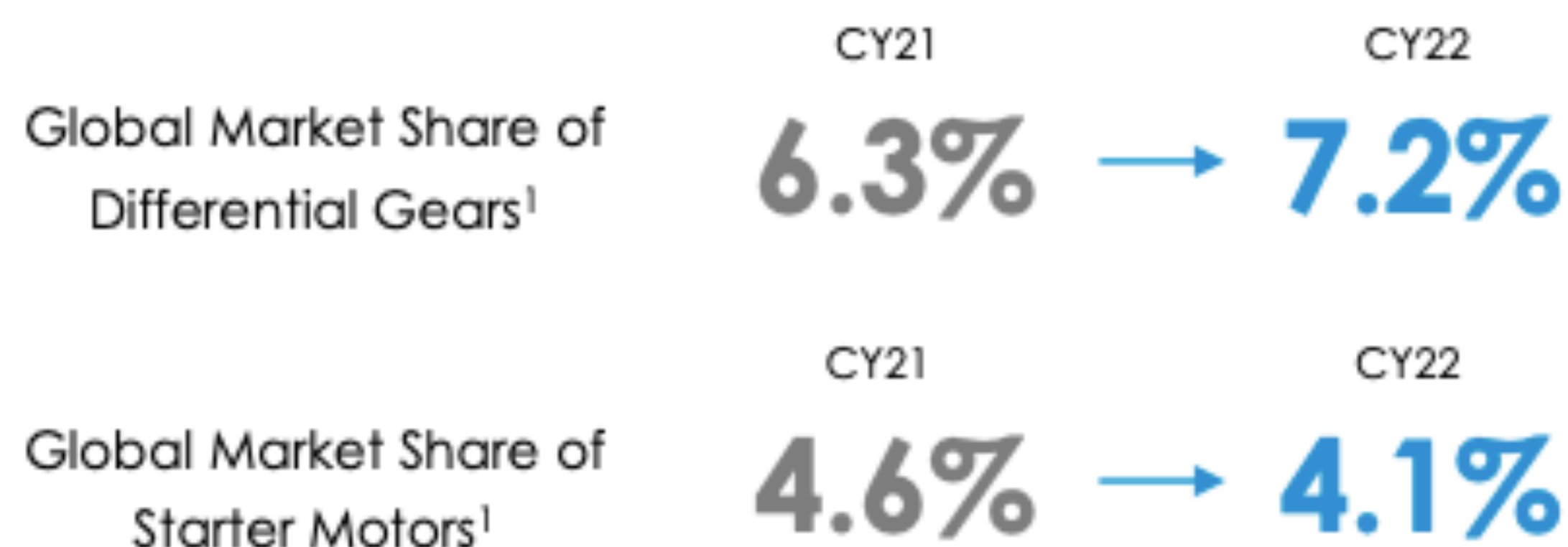


35

Programs won in FY23

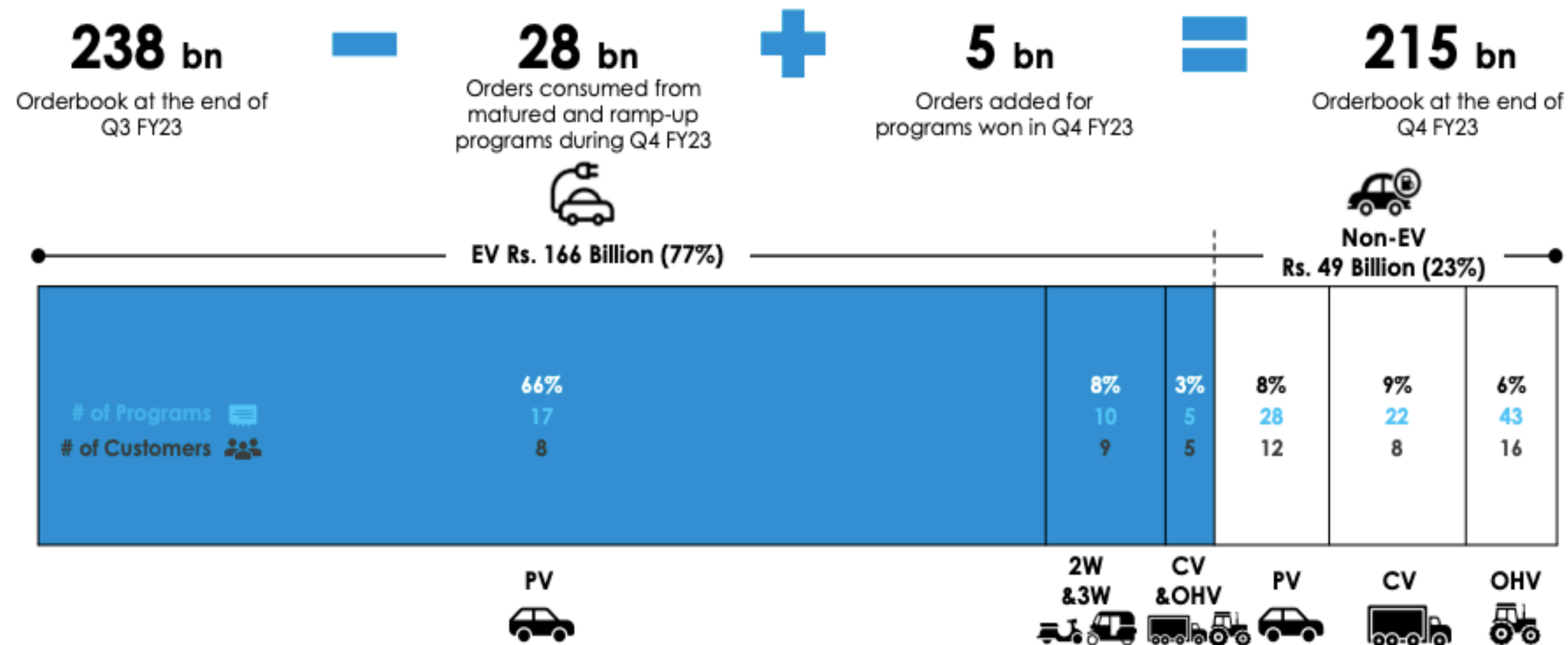
7

New customers added in FY23





EV contributes 77% to our net order book¹ of ₹215 billion (8x FY23 revenue)

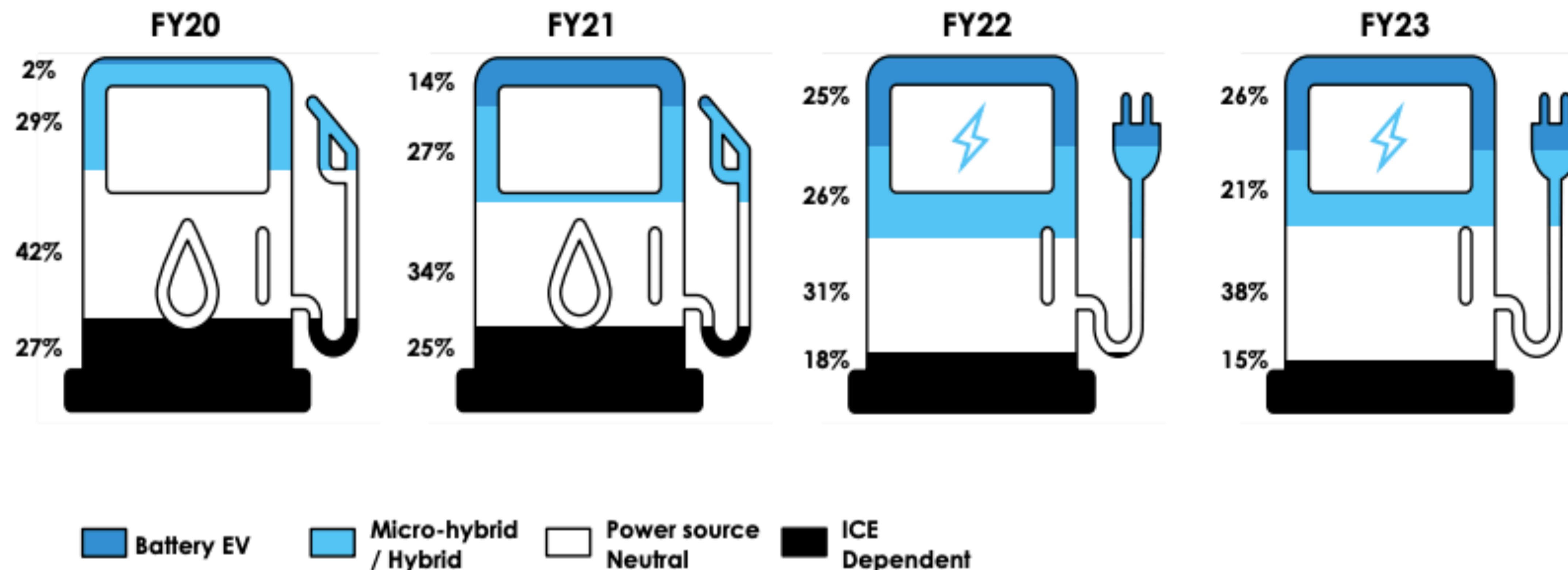




Diversified Revenue Mix – By Powertrain

Battery EV increasing as a % of our revenue continues to be our dominant and secular theme

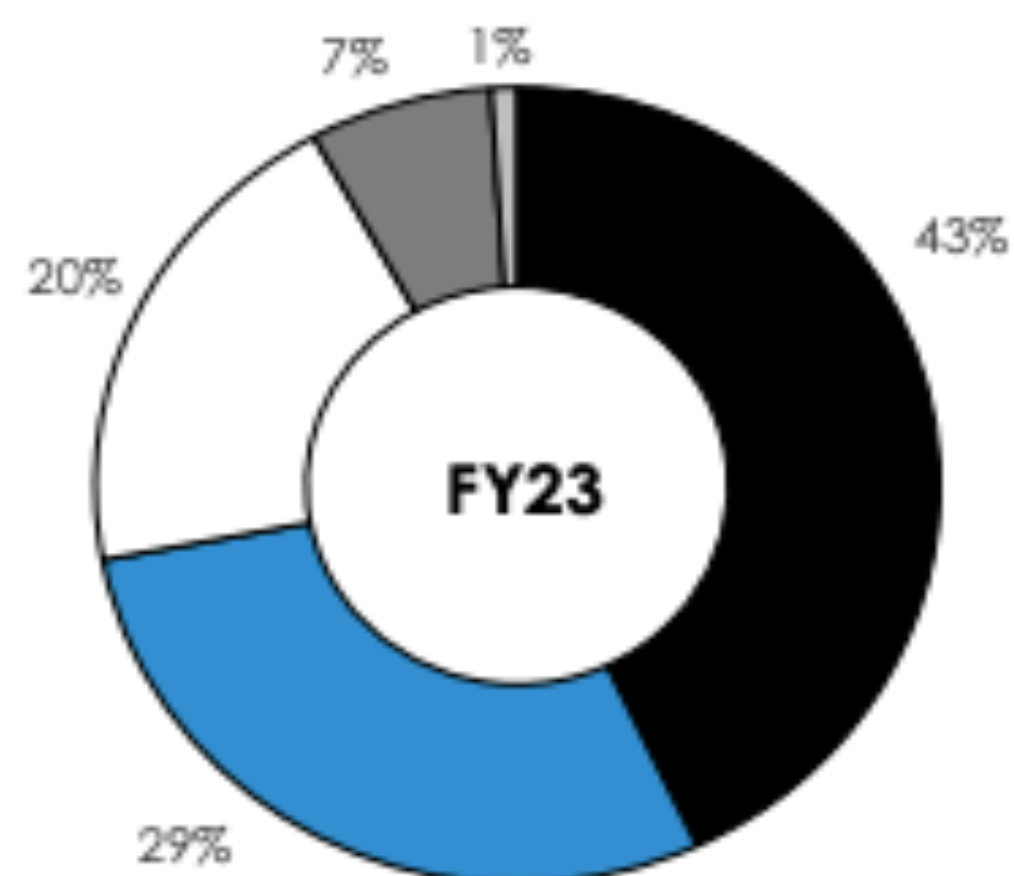
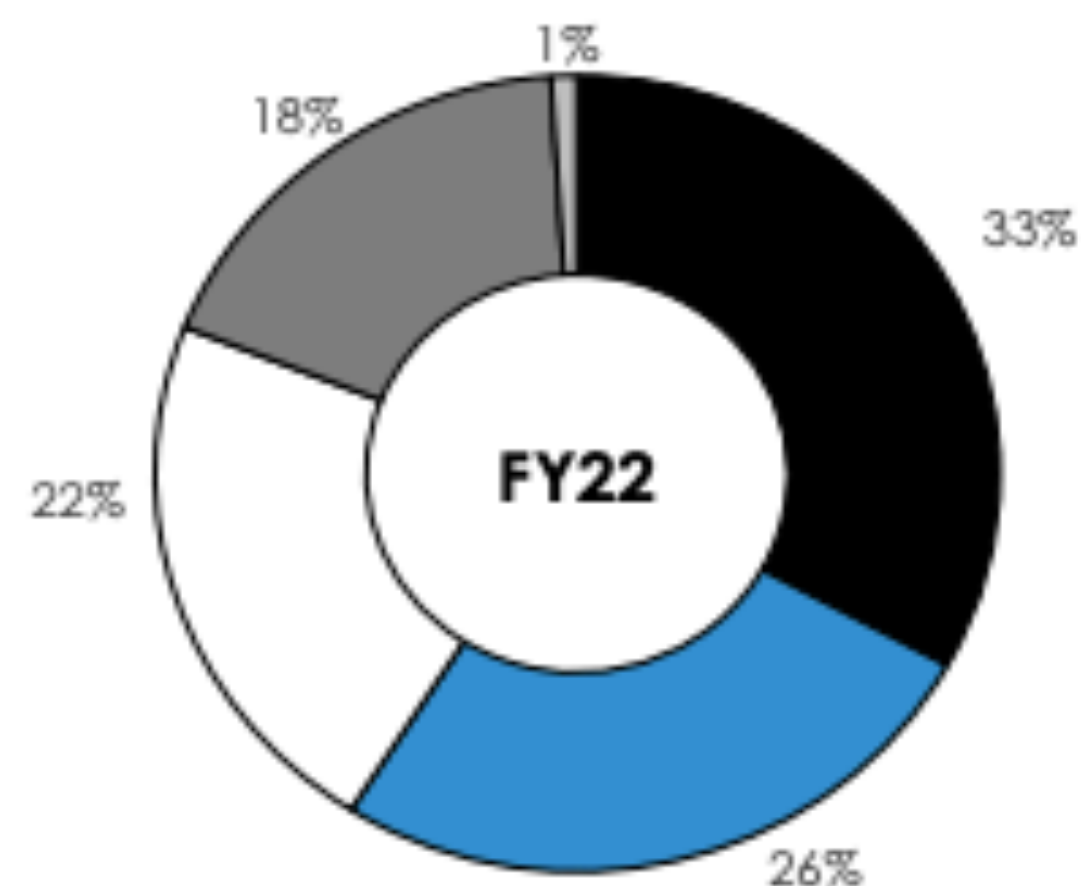
Our pure ICE dependence continues to reduce steadily going from 25% in FY21 to 15% in FY23





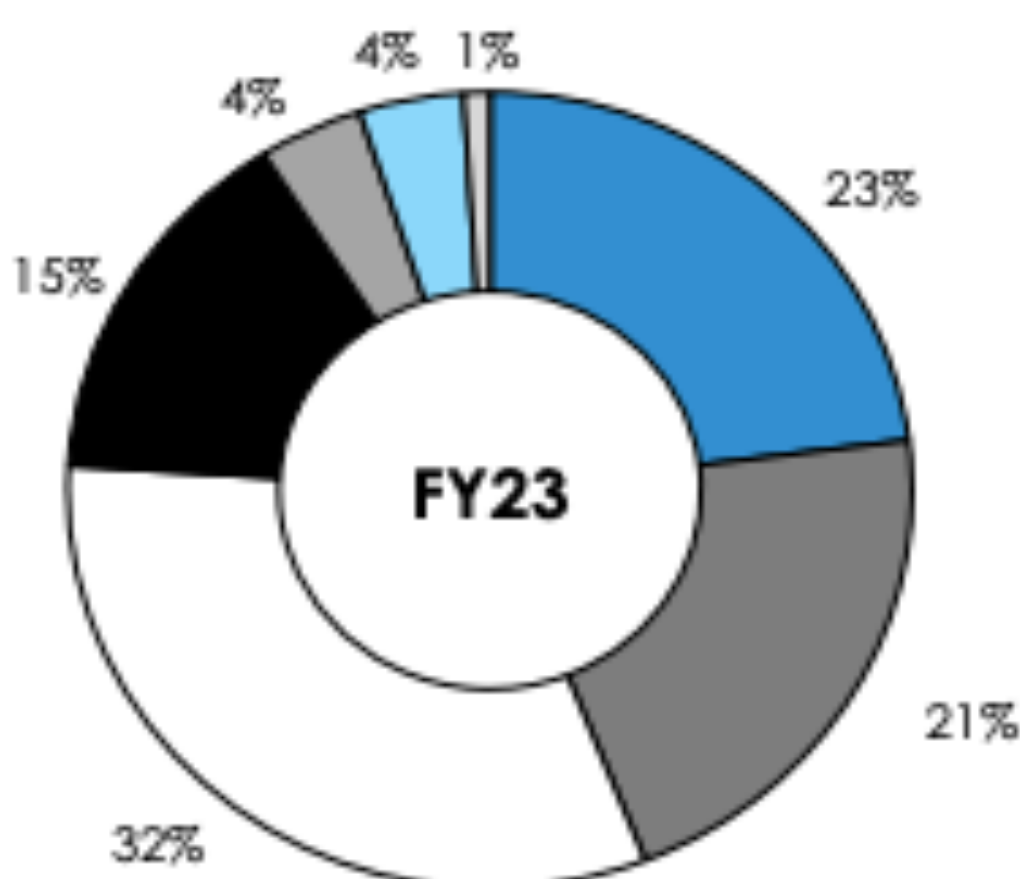
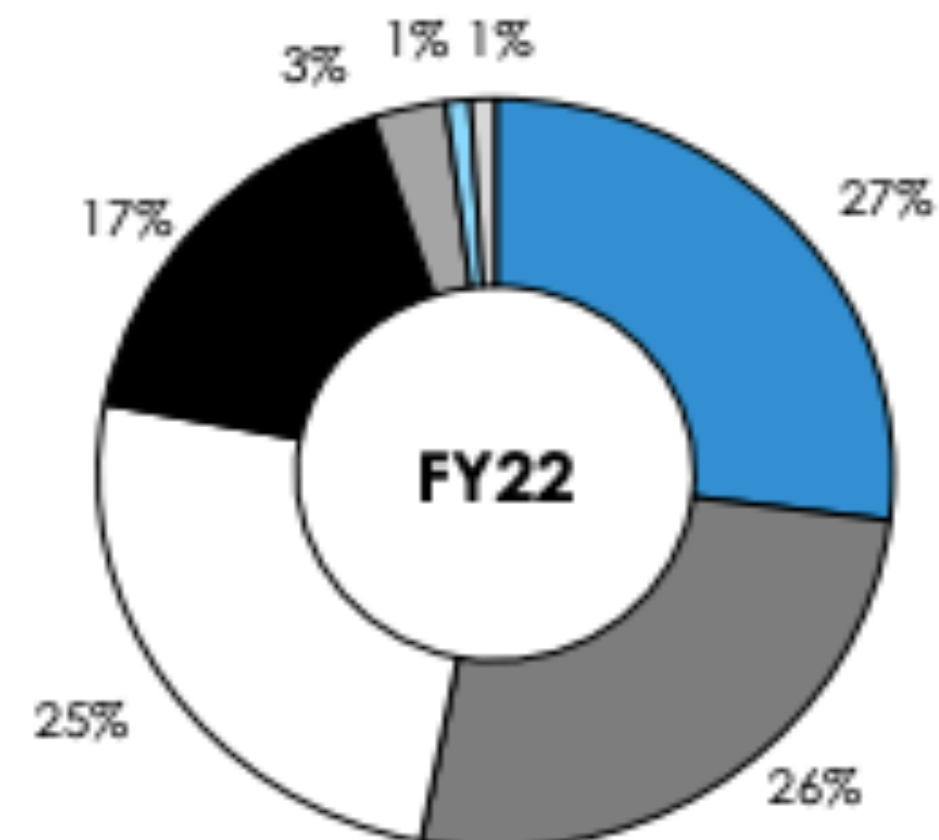
Diversified Revenue Mix

By Geography



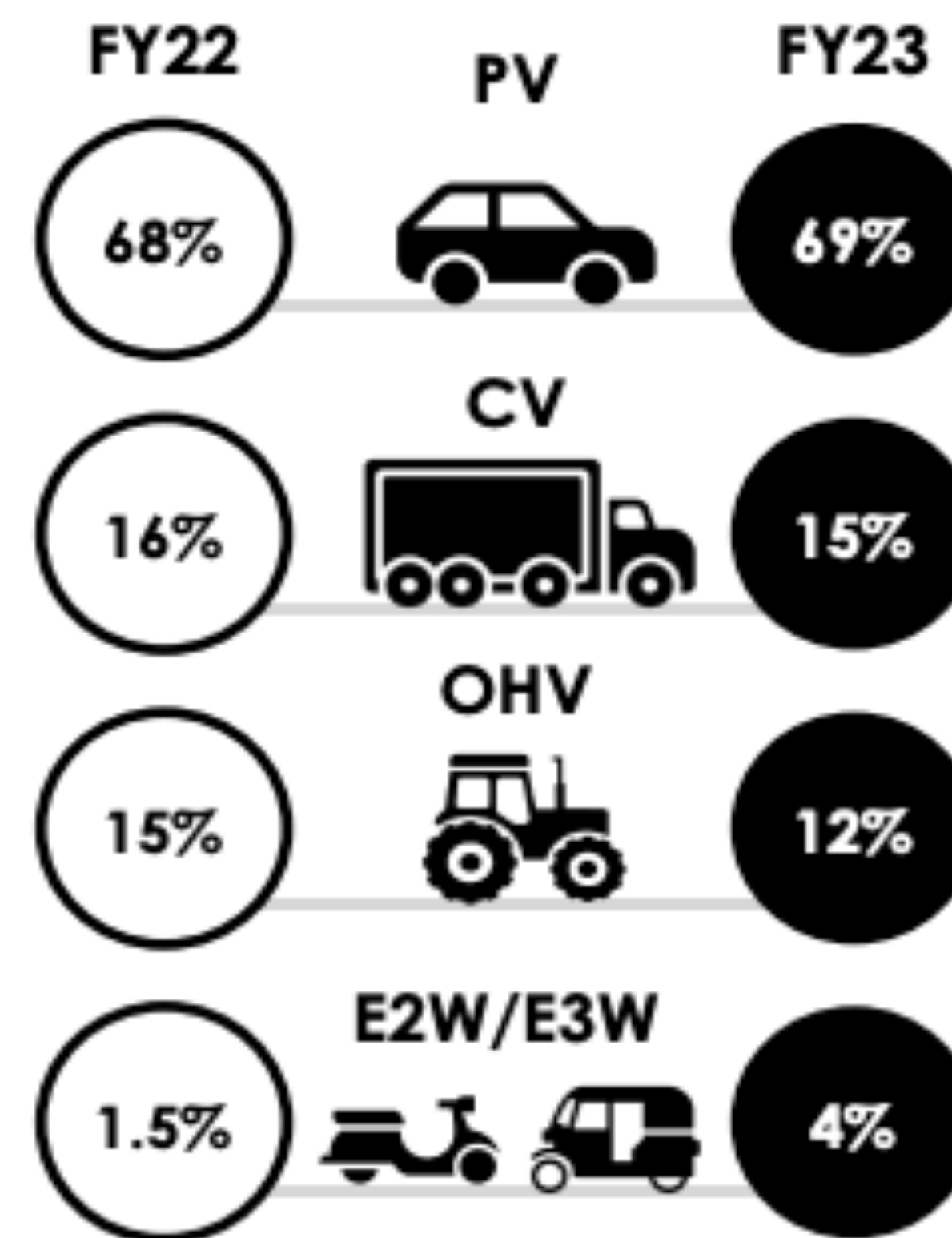
■ North America ■ India □ Europe ■ Asia (excl. India) ■ RoW

By Product



■ Differential Assembly ■ Micro/Plug-in Hybrid Starter Motors
 □ Differential Gears ■ Conventional Starter Motors
 ■ Others Drivetrain Parts ■ Traction Motors
 □ Others

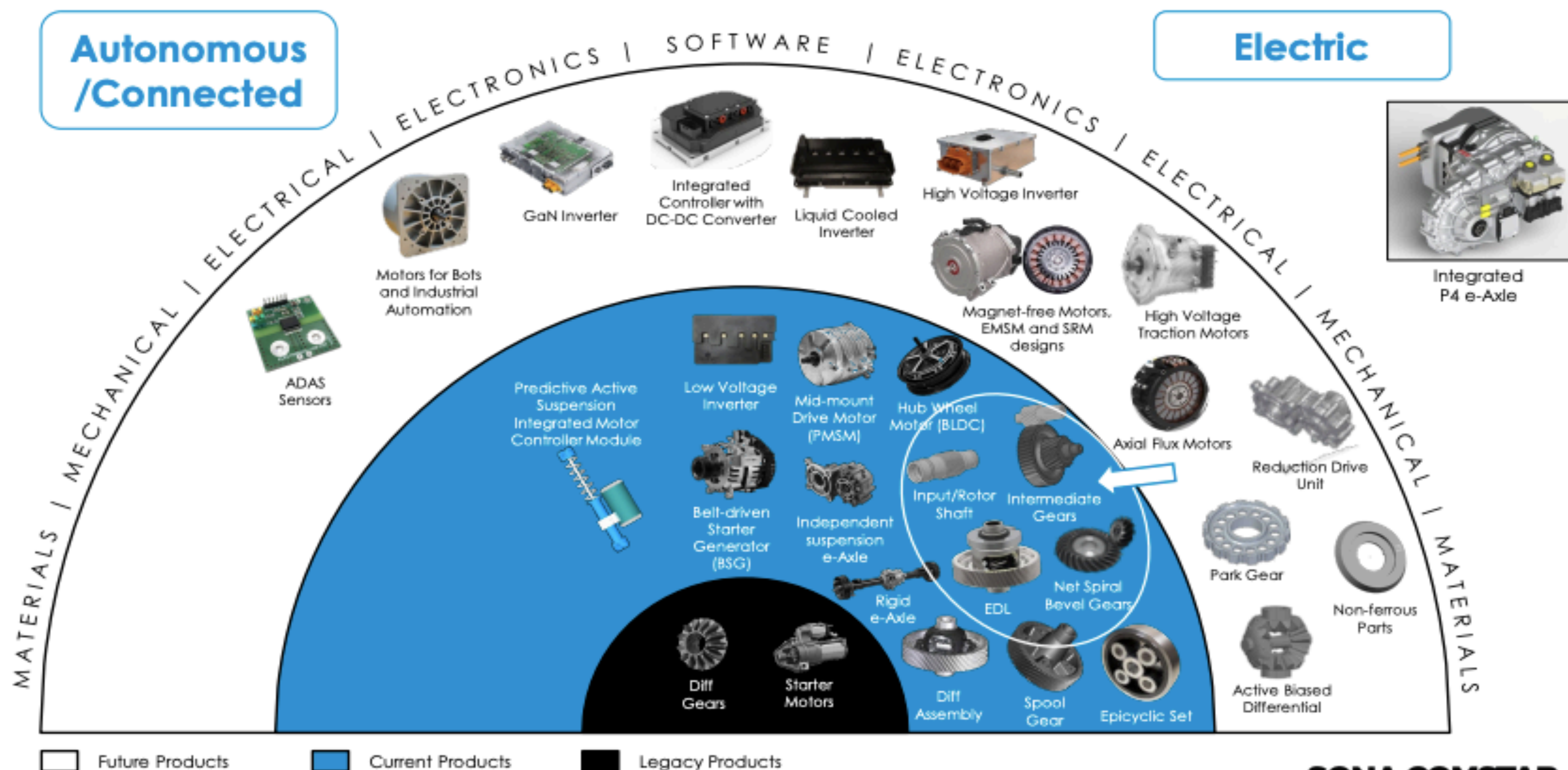
By Vehicle segment



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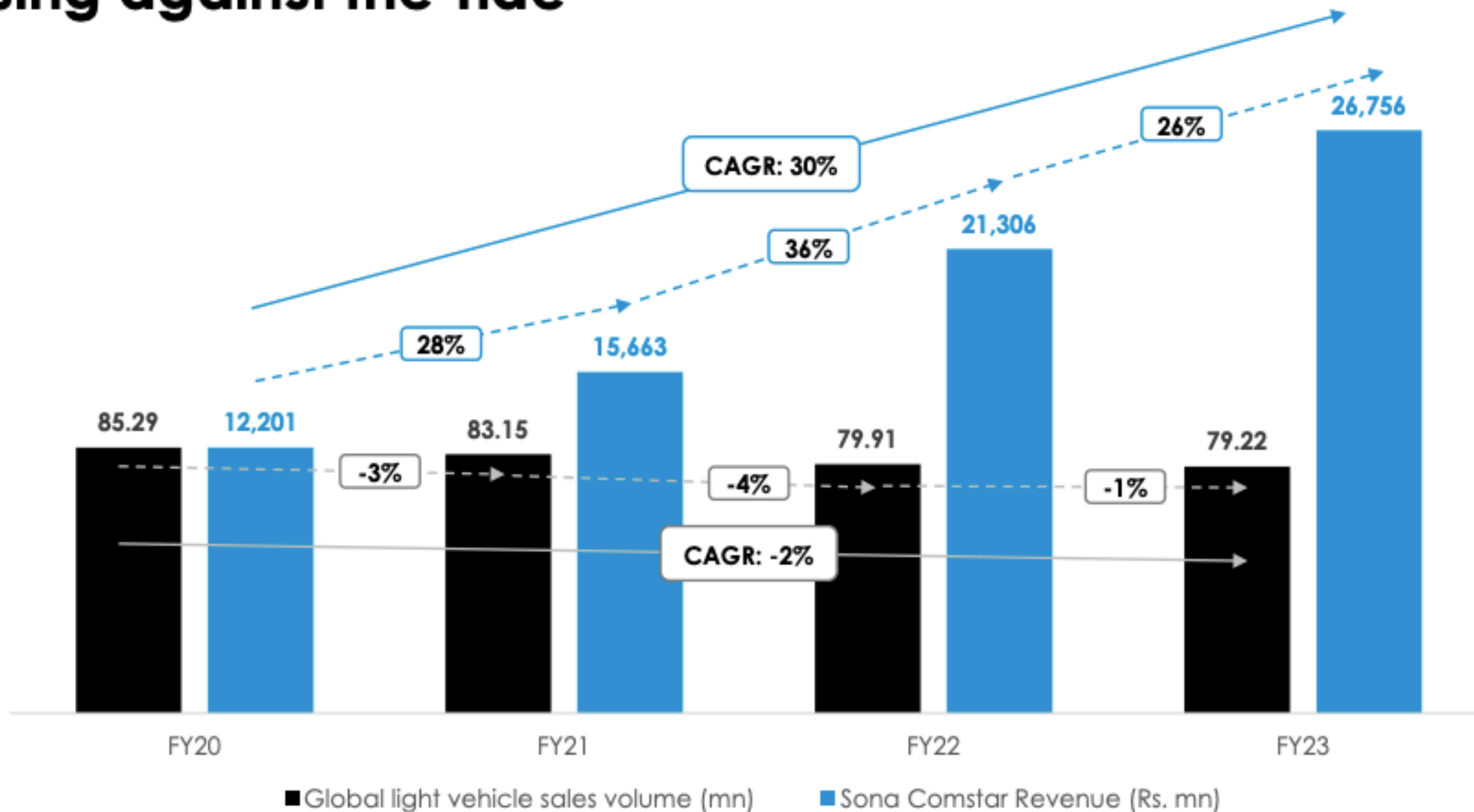
We introduced 4 new products to the market in FY23



SONA COMSTAR

Note: The product images shown are for illustration purposes only and may not be an exact representation of the products

Rising against the Tide



Q4 FY23 Financial Performance Highlights

7,440 mn | 35%

Revenue | YoY Growth

2,014 mn | 49%

EBITDA | YoY Growth

1,198 mn | 54%

PAT | YoY Growth¹

27.1% EBITDA Margin

16.1% PAT Margin

2,037 mn | 37%

BEV Revenue | YoY Growth

28%

Q4 FY23 Revenue Share
from BEV

FY23 Financial Performance Highlights

26,756 mn | 26%

Revenue | YoY Growth

6,958 mn | 25%

EBITDA | YoY Growth

26.0% EBITDA Margin

3,953 mn | 28%

PAT | YoY Growth¹

14.8% PAT Margin

30.4%

RoCE²

26.6%

RoE³

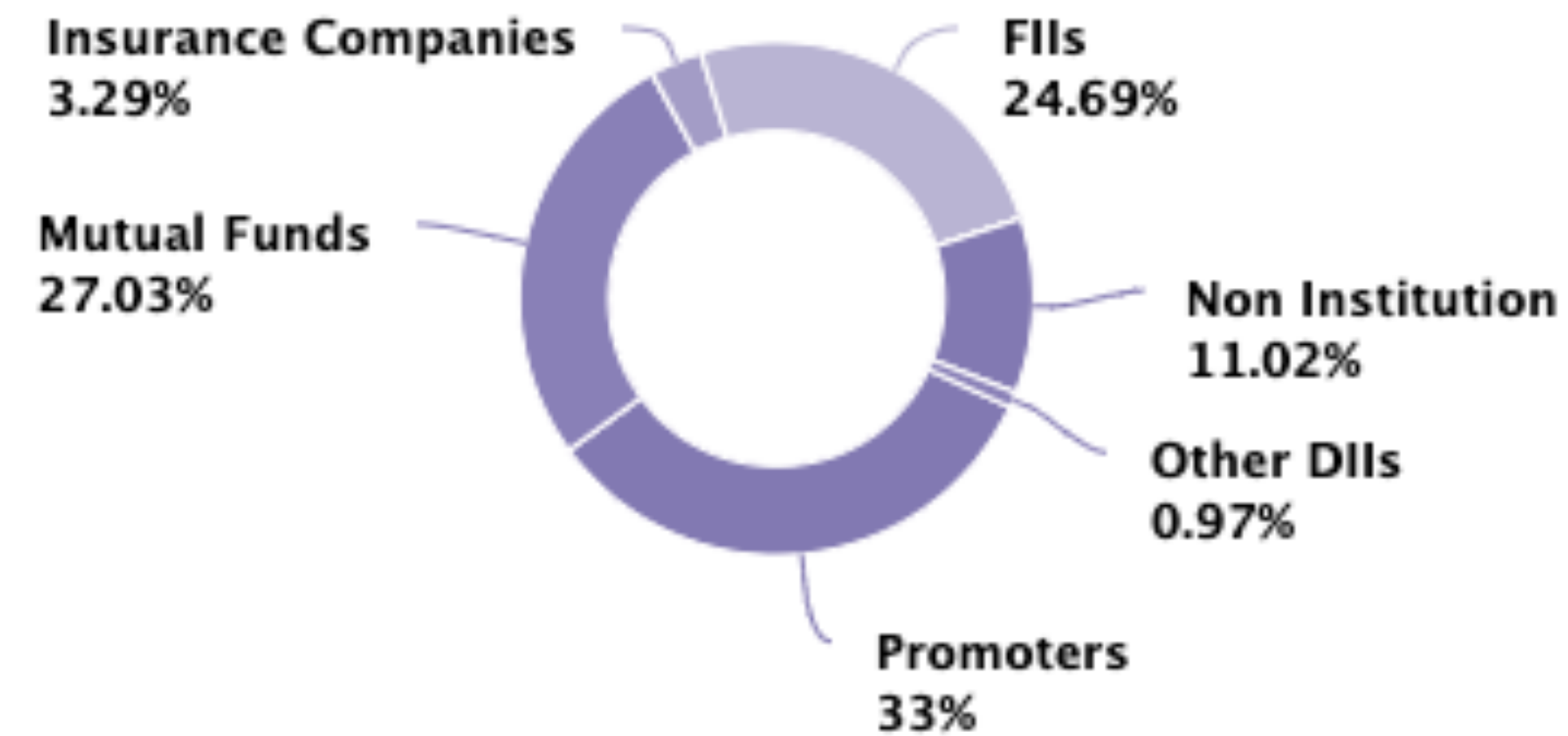
Yearly Results

YEARLY RESULTS OF SONA BLW PRECISION FORGINGS (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	2,675.60	2,130.64	1,566.30	1,037.98	699.22
Total Income From Operations	2,675.60	2,130.64	1,566.30	1,037.98	699.22
EXPENDITURE					
Consumption of Raw Materials	1,179.55	989.20	709.48	442.42	192.84
Increase/Decrease in Stocks	40.41	-43.65	-64.17	3.18	12.22
Employees Cost	180.35	168.88	147.45	102.73	49.00
Depreciation	178.00	141.97	96.94	67.12	30.96
Other Expenses	579.46	457.10	332.53	247.38	245.17
P/L Before Other Inc., Int., Excpt. Items & Tax	517.81	417.14	344.08	175.16	169.03
Other Income	11.59	20.03	2.34	5.78	3.28
P/L Before Int., Excpt. Items & Tax	529.40	437.16	346.42	180.94	172.31
Interest	16.93	18.26	32.52	25.98	17.76
P/L Before Exceptional Items & Tax	512.47	418.91	313.90	154.97	154.55
Exceptional Items	-3.37	13.27	-13.91	232.05	--
P/L Before Tax	509.11	432.18	300.00	387.02	154.55
Tax	113.81	70.63	84.83	26.68	54.65
P/L After Tax from Ordinary Activities	395.30	361.54	215.17	360.34	99.90
Extra Ordinary Items	--	--	--	--	73.07
Net Profit/(Loss) For the Period	395.30	361.54	215.17	360.34	172.96
Minority Interest	--	--	--	--	-0.21
Share Of P/L Of Associates	--	--	--	--	0.22
Net P/L After M.I & Associates	395.30	361.54	215.17	360.34	172.97
Equity Share Capital	585.40	584.35	572.98	47.15	27.72
Reserves Excluding Revaluation Reserves	1,704.80	1,415.94	730.92	1,130.19	146.06
EPS BEFORE EXTRA ORDINARY					
Basic EPS	6.76	6.22	3.76	7.06	3.01
Diluted EPS	6.75	6.21	3.75	7.06	2.19
EPS AFTER EXTRA ORDINARY					
Basic EPS.	6.76	6.22	3.76	7.06	3.01
Diluted EPS.	6.75	6.21	3.75	7.06	2.19

Key Financial Ratios

KEY FINANCIAL RATIOS OF SONA BLW PRECISION FORGINGS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	6.76	6.22	3.76	7.06	3.01
Diluted EPS (Rs.)	6.75	6.21	3.75	7.06	2.19
Cash EPS (Rs.)	9.79	8.62	5.45	90.65	73.57
Book Value [ExclRevalReserve]/Share (Rs.)	39.12	34.23	22.76	249.68	63.57
Book Value [InclRevalReserve]/Share (Rs.)	39.12	34.23	22.76	249.68	63.57
Revenue from Operations/Share (Rs.)	45.71	36.46	27.34	220.13	252.26
PBDIT/Share (Rs.)	12.08	9.91	7.74	52.61	73.33
PBIT/Share (Rs.)	9.04	7.48	6.05	38.37	62.17
PBT/Share (Rs.)	8.70	7.40	5.24	82.08	55.76
Net Profit/Share (Rs.)	6.75	6.19	3.76	76.42	62.40
NP After MI And SOA / Share (Rs.)	6.75	6.19	3.76	76.42	62.40
PROFITABILITY RATIOS					
PBDIT Margin (%)	26.43	27.18	28.30	23.89	29.07
PBIT Margin (%)	19.78	20.51	22.11	17.43	24.64
PBT Margin (%)	19.02	20.28	19.15	37.28	22.10
Net Profit Margin (%)	14.77	16.96	13.73	34.71	24.73
NP After MI And SOA Margin (%)	14.77	16.96	13.73	34.71	24.73
Return on Networth/Equity (%)	17.26	18.07	16.50	30.60	99.53
Return on Capital Employed (%)	21.09	19.76	20.36	11.88	61.81
Return on Assets (%)	12.91	13.92	9.89	19.47	10.59
Total Debt/Equity (X)	0.09	0.04	0.29	0.27	0.74
Asset Turnover Ratio (%)	0.89	0.83	72.01	56.08	42.82
LIQUIDITY RATIOS					
Current Ratio (X)	2.36	2.54	1.73	1.93	0.97
Quick Ratio (X)	1.78	1.60	1.09	1.33	0.92
Inventory Turnover Ratio (X)	3.37	2.85	5.13	5.29	10.32
Dividend Payout Ratio (NP) (%)	30.33	12.44	42.01	26.86	0.00
Dividend Payout Ratio (CP) (%)	20.91	8.93	28.96	22.64	0.00
Earnings Retention Ratio (%)	69.67	87.56	57.99	73.14	0.00
Cash Earnings Retention Ratio (%)	79.09	91.07	71.04	77.36	0.00
COVERAGE RATIOS					
Interest Coverage Ratios (%)	41.79	31.72	10.65	6.97	9.70
Interest Coverage Ratios (Post Tax) (%)	41.79	31.72	10.65	6.97	9.70
VALUATION RATIOS					
Enterprise Value (Cr.)	24,333.64	39,679.45	0.00	0.00	0.00
EV/Net Operating Revenue (X)	9.09	18.62	0.00	0.00	0.00
EV/EBITDA (X)	34.40	68.52	0.00	0.00	0.00
MarketCap/Net Operating Revenue (X)	9.04	18.63	0.00	0.00	0.00
Retention Ratios (%)	69.66	87.55	57.98	73.13	0.00
Price/BV (X)	10.56	19.84	0.00	0.00	0.00
Price/Net Operating Revenue	9.04	18.63	0.00	0.00	0.00
Earnings Yield	0.02	0.01	0.00	0.00	0.00

Shareholding Pattern an on Mar'23



Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q4 of FY'23, with Net Sales up by 35.273% i.e. Rs.744.02 crs in Mar'23 as compared to Rs.550.01 crs in Mar'22. Whereas, the Net Profits increased by 14.47% i.e. Rs.119.81 crs in Mar'23 versus Rs.104.66 crs in Mar'22. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.585.40 crs in Mar'23 juxtapose to Rs.584.35 crs in Mar'22.
- ❖ Viewing sound financials and fair fundamentals, the Company is available at a good price of Rs.542.85 with its 52 week low at Rs.398.05 and its 52 week high at Rs.607.00.
- ❖ Since the Promoters are holding majority stake around 33.00% as well as its healthy valuations, it is fair to assume that the Management is committed to growth of the Company.
- ❖ The Shareholding Pattern as on Mar'23, shows the FIIs and the Other DIIs collectively stood with 25.66% stake. Whilst, the Mutual Fund Houses held 27.03% holdings in the Company.
- ❖ It is reassuring to see that Sona BLW Precision Forgings Ltd. is held by SBI MF, AXIS MF, MIRAE MF, HDFC MF, CANARA ROBECO MF, NIPPON INDIA MF, PGIM MF, 360 ONE MF, SUNDARAM MF, ABSL MF, BANDHAN MF, INVESCO MF, EDELWEISS MF, HSBC MF, UNION MF, KOTAK MF, MOSL MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 17.26% & 21.09% respectively as on Mar'23.
- ❖ Sona BLW Precision Forgings Ltd. is a dividend paying stock. For the year ending Mar'23, the Company has declared an equity dividend of 28.10% i.e. Rs.2.81 per equity share.

Disclosure

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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