

Aditya Birla Money Ltd.

Sona BLW Precision Forgings Ltd.

Result Update

Near Term prospects weak; Strong OB provides visibility!!

Sona BLW Precision Forgings Ltd. (Sona) announced Q4FY25 results which beat expectations. Its Q4FY25 revenue and EBITDA declined 2% YoY and 5% YoY to Rs. 868 cr and Rs. 235 cr respectively while PAT grew 10% YoY to Rs. 164 cr. EBITDA and PAT margin came in at 27.1% (-100bps) and 18.8% (+200bps) v/s 28% and 17% YoY. Revenue from Battery Electric Vehicles (BEV) segment grew 8% YoY to Rs. 294 cr. Sona won 1 new BEV program in Q4FY25 taking the total order book that grew to ~Rs. 24,200 cr as on FY25 and total EV programs to 58. Out of the 58 BEV program wins, 15 are in mature phase while 43 are in the ramp-up phase, of which 27 are expected to start by H1FY26.

Key Concall takeaways:-

- FY25 highlights:-** Sona delivered a strong overall performance in FY25, significantly outperforming the industry's modest growth rate of ~2%. The company recorded a 12% YoY increase in revenue, reaching Rs. 3,554 cr, while EBITDA and PAT rose by 8% and 16% YoY to Rs. 975 cr and Rs. 601 cr respectively, reflecting operational strength and scale benefits. Sona's strategic focus on the BEV segment continued to bear fruit, as it added 32 new BEV programs and 7 new customers in FY25, pushing the BEV order book to ~Rs. 18,700 cr out of the total order book of ~Rs. 24,200 cr. The revenue contribution from the BEV segment rose meaningfully to 36%, up from 28% in FY24. The company has accounted for the full-year PLI benefit of Rs. 19 cr in Q4FY24.
- Revenue Mix:-** In terms of power train segments, BEV revenues grew 8% YoY in Q4FY25 while non-BEV revenue declined by low-teens. Product mix stood as differential assembly 27%, differential gears 29%, micro hybrid motors 21%, conventional starter motors at 9%, traction motors 8%, sensors and software 2% and balance for other components. Revenue from North America came in at 41%, followed by India 29%, Europe 21%, Asia ex-India 6% and others 0.3%. Passenger Vehicles PVs contributed 71%, Commercial Vehicles 11%, 2W/3W segments 8% and others 10%.
- Subdued growth:-** Q4FY24 revenues were under pressure owing to several factors that included uncertainty pertaining to the US tariffs and the introduction of the USMCA act, slowdown in off-highway market demand in the US, subdued EU markets owing to intense competition by Chinese OEMs, decline in production volumes in the Indian CV segment and transition of a global EV customer to a newer model. Co. guided for a recovery in growth in H1FY26. Co. highlighted that it will be incrementally focusing on Chinese and Asian OEMs, given the underperformance of the EU and US markets, which has impacted its overall growth.

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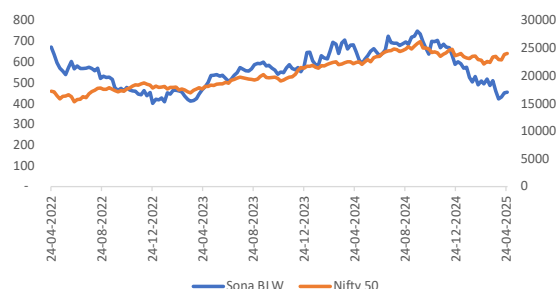
04th May 2025

CMP (Rs.)	497
TP (Rs.)	570
Upside /Downside (%)	+15%
High/Low (Rs)	769/380
Market cap (Cr)	30,896
No. of shares (Cr)	62.11

Shareholding (%)

	Sep'24	Dec'24	Mar'25
Promoter	28.0	28.0	28.0
FII's	33.6	33.2	30.0
DII's	31.0	31.2	34.4
Retail	7.4	7.6	7.6

Price Comparison



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- **Impact of US tariffs and restriction on rare earth metals by China:-** The updated US auto tariff policy is designed to support domestic production by offering full exemptions for vehicles with significant US-made components while providing partial tariff relief for those assembled locally. At the same time, it imposes a 25% duty on fully imported vehicles to shield American manufacturers from foreign competition. Sona generates ~40% of its revenue from North America and has highlighted ~3% of revenue contribution from customers that may see some risk due to the tariff impact. The indirect impact from the US is likely to result in a slowdown in end markets and disrupt the global supply chain in the short term. Additionally, the restriction on the supply of rare earth metals from China is expected to cause further disruptions in the EV supply chain in the near term especially for Sona's traction motor production. However, it currently has 2-3 months of inventory.
- **Entry into Humanoid Robotics:-** Sona intends to look for opportunities in the Humanoid Robot market, which is expected to reach 10 mn units by 2035. It believes there is an opportunity to supply ~60% of BOM cost of each robot worth \$35-50k. Important components would include frameless torque & coreless motors, roller screws, sensors, reducers and gears, etc.
- **EU slowdown amid emergence of Chinese EVs:-** EV sales in Europe declined 1% in 2024 due to the completion of incentives and economic weakness in key markets like Germany and France. Meanwhile, Chinese OEMs increased their EV market share to 11–12% v/s 4% in 2020, affecting local OEMs. The EU's imposition of higher tariffs on Chinese EVs may raise costs and still be cheaper to own compared to any EU OEM alternative, but will eventually delay EV adoption in EU. Given Sona's higher exposure to EU players and lower exposure to Chinese OEMs, its EU market share could decline if future growth is led by Chinese OEMs.
- **Escorts Railway Division Integration:-** The integration of the Escorts Railway division is scheduled for June 2025. Post-integration, the proforma regional revenue mix is projected to shift to India at 43%, North America at 33%, and Europe at 19%. From a segmental standpoint, the automotive business is expected to contribute 70% of total revenue, with non-automotive segments accounting for the remaining 30%.

Outlook & Valuation:-

Sona continues to perform well with its strategy of expanding its portfolio to address the evolving trends in mobility, especially in EV. While it continues to expand its EV portfolio and secure strong order wins, near-term growth may remain muted due to US tariff uncertainty and weak demand in key markets. However, It continues to add new programs and products in its portfolio and diversify its dependence on a particular segment, with entry into the railway division business and sighting opportunities in robotics. Its order book stands at Rs. 24,200 cr. which is ~6.8 times its FY25 revenue, giving strong visibility. We expect Sona's Revenue/ EBITDA/ PAT to grow at a CAGR of 21%/ 19%/ 22% respectively over FY25-28E and assign a Buy rating for the stock with 25% upside potential over the next 12 months, valuing it at ~45x its FY26E EPS.

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March 2025 Quarterly Result Snapshot

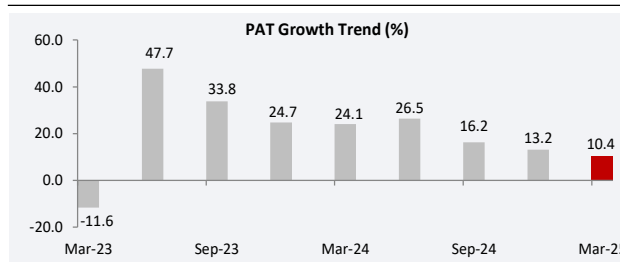
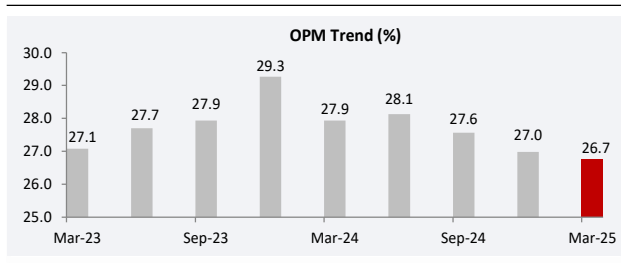
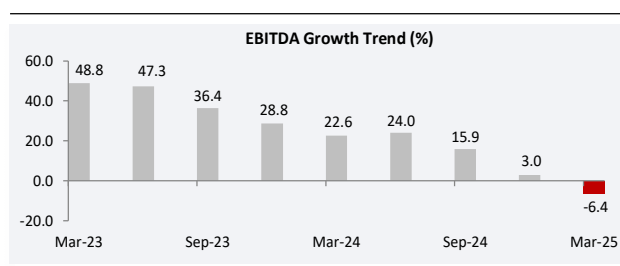
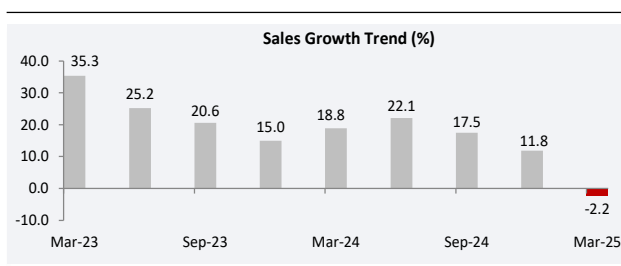
CMP: 497

Sector - Auto Ancillary

Buy

	31-Mar-25	Estimates	31-Mar-24	YoY (%)	31-Dec-24	QoQ (%)
Sales	865	838	884	-2.2	868	-0.4
EBITDA	231	223	247	-6.4	234	-1.2
EBIT	167	160	187	-10.9	168	-0.6
OPM (%)	26.7	26.6	27.9	-	27.0	-
PAT	164	143	149	10.4	151	8.5

Rs. Cr, Consolidated



Earnings & Valuations	Sales	EBITDA	OPM (%)	PAT	P/E (x)	P/B (x)	ROE (%)
FY25A	3,546	970	27.4	601	47.7	5.2	14.8
FY26E	4,585	1,219	26.6	767	39.4	5.1	13.9
FY27E	5,629	1,523	27.1	944	31.9	4.6	15.5
FY28E	6,276	1,634	26.0	1,096	2.4	4.0	16.1

Earnings in ` Cr

ESG Score

Sona BLW Precision Forgings

49

Range

Poor Below Average Average Adequate Above average Strong Ideal

Note: The score ranges from 0 for companies that do not disclose any of the ESG data included in the score, to 100 for those that disclose every data point.

Source: ABM Research, Bloomberg, CRISIL

Stock Vs Index (%)	CMP	1M	3M	6M	12M	2Y Absolute	3Y Absolute
Sona BLW Precision Forgings	497	5.0	-2.9	-29.9	-19.7	-0.2	-22.9
Nifty 50	24,426	4.7	4.0	0.5	7.8	35.0	43.1

Source: ABM Research, Bloomberg, CRISIL

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