HDFC securities
Powering India's Investments

INITIATING COVERAGE REPORT

SONA BLW PRECISION FORGINGS

INSTITUTIONAL RESEARCH

Sona BLW

Making bold moves into the future of mobility

Sona BLW is an R&D and engineering-focussed auto ancillary company where technology capability and product differentiation allow it to periodically add new customers, as well as increase content with existing customers on continual expansion of the product portfolio. This enables the company to make superior margins in the 23-25% range, while the focus on faster growing segments also enables better-scale benefits and operating leverage. Increasing EV penetration augurs well in terms of better product realization and better market positioning of the company's products in the segment vs competition, especially in India. EV segment forms 64% of its net order book (as at the end of Q1FY27) vs 26% of FY26 revenues. Considering the positives, and the medium to long-term business potential, we value Sona BLW at 43x Sep-28 EPS (+2SD of 3-year mean) for a TP of INR 845, and initiate coverage with a ADD.

- **Increasing EV penetration in India to boost business:** The company has a strong presence in the traction motor space in the e-2W and e-3W markets in India. Globally, too, the requirement for more technologically advanced differential gear and assembly for EVs leads to better realizations and provides greater entry barriers. Additionally, it is also working on high voltage traction motors for four wheelers. Indication by Indian OEMs to expand the EV product portfolio as well as capacity augurs well for EV penetration in India. While revenues would get a boost, it is likely to cause margin dilution due to higher sale of traction motors in India.
- **Product portfolio expansion:** Leveraging on customer relationships and its R&D prowess, as well as well-timed acquisitions and tie-ups, the company is continually expanding its product portfolio. Products that are likely to gain large traction in the medium term are suspension motor, sensors & radar and products coming from the JV with Denso. While suspension motors where the company has a technology advantage help improve ride quality, the sensors & radar segment is expected to receive a boost from the upcoming CV ADAS regulations in India and the Europe NCAP safety ratings.
- **Marquee customer base:** It has a strong global presence, catering to seven of the world's top 10 PV OEMs, three of the world's top 10 CV OEMs, seven of the world's top 10 tractor OEMs, and three of the world's top 10 EV OEMs. Business validation due to this and an ongoing trend of China+1 (due to geopolitical risks) and Europe+1 (due to high energy and labor costs), has been seeing the company add new customers periodically, and also expand the content value with existing customers. It also caters to Chinese OEMs, though at a small scale currently, providing a business hedge considering the growing global presence of Chinese OEMs, especially in the EV space.
- **Key risks:** Considering a large global presence, it has been in the midst of many recent crises like the imposition of additional tariffs by the US and China's restriction on the export of rare earth magnets. Geopolitical risks and uncertainties continue. While the company is professionally run by an adept management, there is key person risk of top management considering lower promoter stake (28%) and the ongoing dispute amongst the promoter group.

Financial summary

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	21,306	26,756	31,848	35,545	44,751	55,648	69,116	84,838
EBITDA	5,591	6,958	9,021	9,753	11,069	13,202	17,069	21,171
EBITDA Margin %	26.2	26.0	28.3	27.4	24.7	23.7	24.7	25.0
APAT	3,483	3,987	5,265	6,190	6,802	8,180	10,832	13,615
Diluted EPS (INR)	6.0	6.8	9.0	10.0	10.9	13.2	17.4	21.9
P/E (x)	136.4	119.6	90.7	81.8	74.5	61.9	46.8	37.2
EV / EBITDA (x)	85.1	68.9	52.9	50.6	45.7	38.3	29.5	23.8
RoE (%)	20.6	18.6	21.3	15.2	11.9	13.1	15.7	17.7

Source: Company, HSIE Research

ADD

CMP *(as on 05 Aug 2026)*	INR 815
Target Price	INR 845
NIFTY	24,625

KEY STOCK DATA	
Bloomberg code	SONACOMS IN
No. of Shares (mn)	624
MCap (INR bn) / ($ mn)	508/5,339
6m avg traded value (INR mn)	1,525
52 Week high / low	INR 825/402

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	39.8	58.6	82.6
Relative (%)	39.0	64.6	85.1

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	28.02	28.01
FIs & Local MFs	41.46	41.61
FPIs	23.70	23.61
Public & Others	6.82	6.77
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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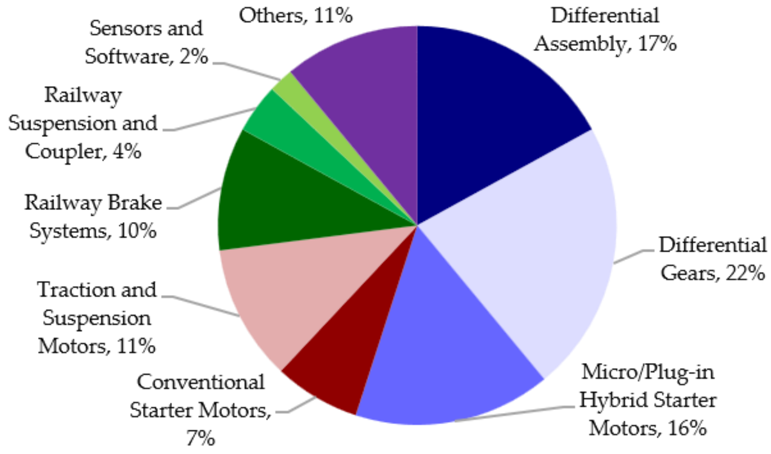
Sona BLW: Making bold moves into the future of mobility

Key product verticals

Differential gears and assembly form the largest part of the company's revenue, followed by motors. This is followed by products from the recently (June 2025) acquired railway segment from Escorts Kubota. Sensors and Software segment is still small and should get a boost from the upcoming vehicle regulations that enhance safety.

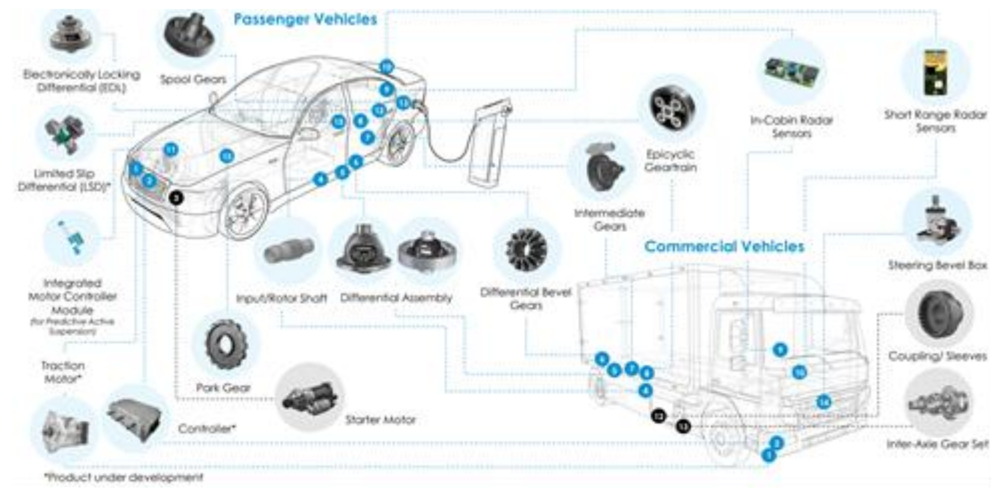
Exhibit 1: FY26 revenue split by product segment



Source: Company, HSIE Research

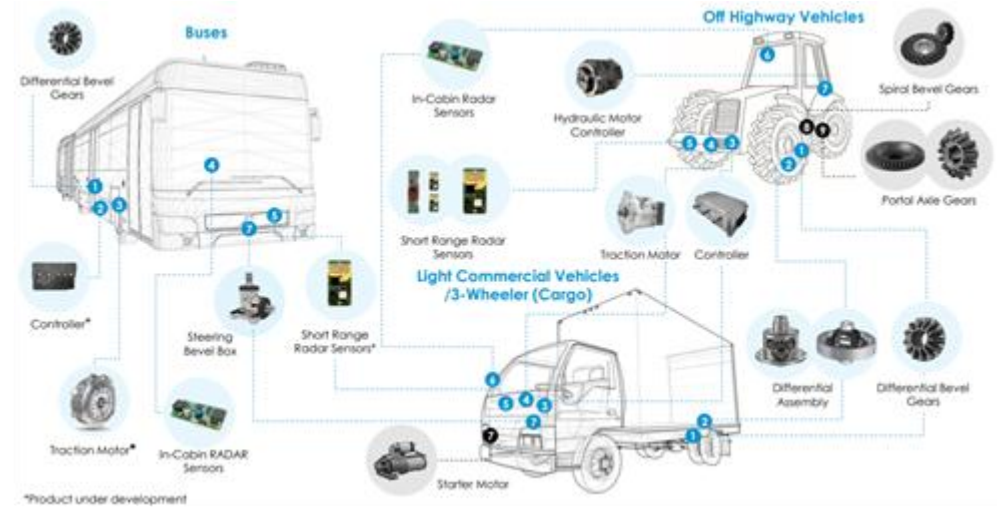
Key product portfolio (ex of railways)

Exhibit 2: Content for PVs and CVs



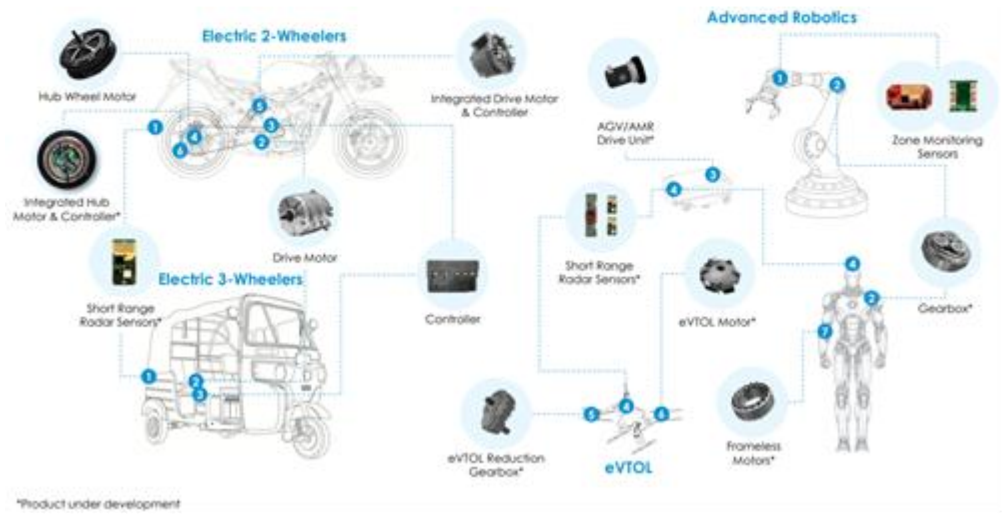
Source: Company, HSIE Research

Exhibit 3: Content for Buses, Off Highway Vehicles and LCV/3W Cargo



Source: Company, HSIE Research

Exhibit 4: Content for e-2W, e-3W and non-auto segment



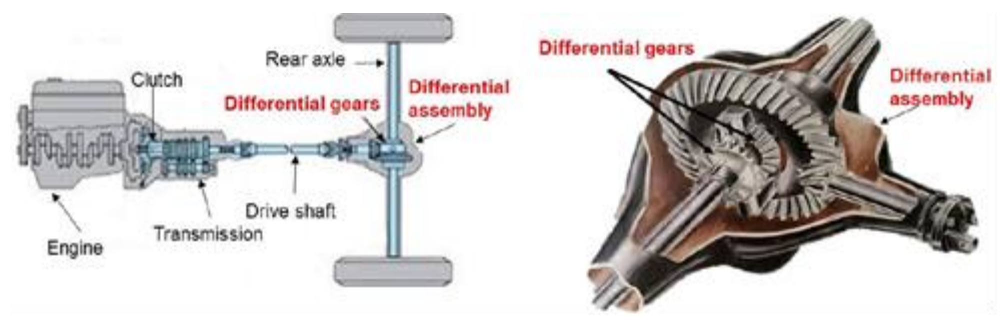
Source: Company, HSIE Research

Differential gears and assemblies

(% of FY26 consol revenue mix: differential gears = 22%, differential assembly = 17%)

Differential gears are mounted as an assembly on the drive axle. A differential assembly plays an integral role in turning of the vehicle, as the wheels in a pair are required to rotate at different speeds. This is necessary as the wheel on the outside of the turn must travel faster than the wheel on the inside. These find applications in PVs, CVs, tractors and construction equipment.

Exhibit 5: Differential gears and assemblies



Source: Company, HSIE Research

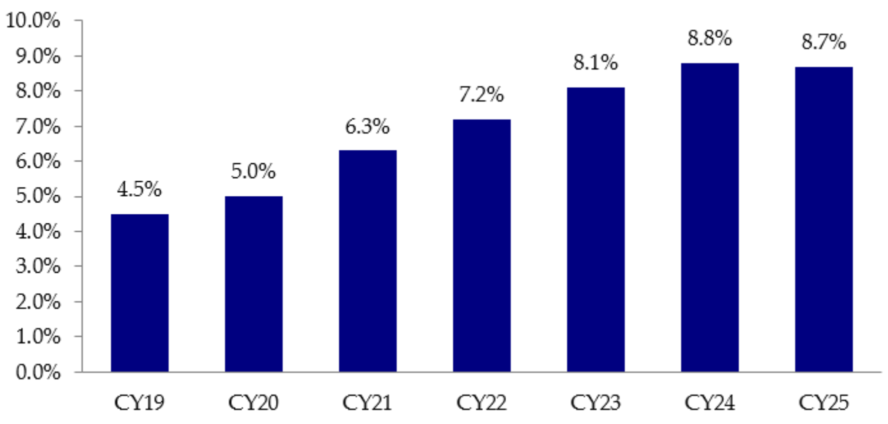
While 2WD system has one set of differential assembly, a 4WD system has two sets of differential assemblies along with an inter axle differential (helps distribute power between the two axles)

Besides the growth of the vehicle industry, key revenue growth drivers are increasing penetration of 4WD vehicles, increasing mix of higher HP tractors, move towards higher tonnage commercial vehicles, and increasing penetration of electric vehicles (that has a higher value differential assembly).

In India, key competitors in the differential gears space in PVs include Sundram Fasteners and India Pistons, while a large part is also imported for a few Japanese and South Korean OEMs. Key competitors in the CV space include American Axle, Meritor and Dana. In the tractor space, key competitors include New Allenbery, Punjab Bevel Gears, GNA, and Bharat Gears and the in-house manufacturing done by OEM themselves.

Globally, key competitors in the differential assembly space include Borg Warner, JTEKT Corp, Dana, American Axle Manufacturing, GKN, and Hyundai WIA Corp. In the differential bevel gear market, the key competitors include American Axle, Showa Corp, Musashi Seimitsu Industries, Meritor, GKN, etc.

Exhibit 6: The company's global market share of differential gears



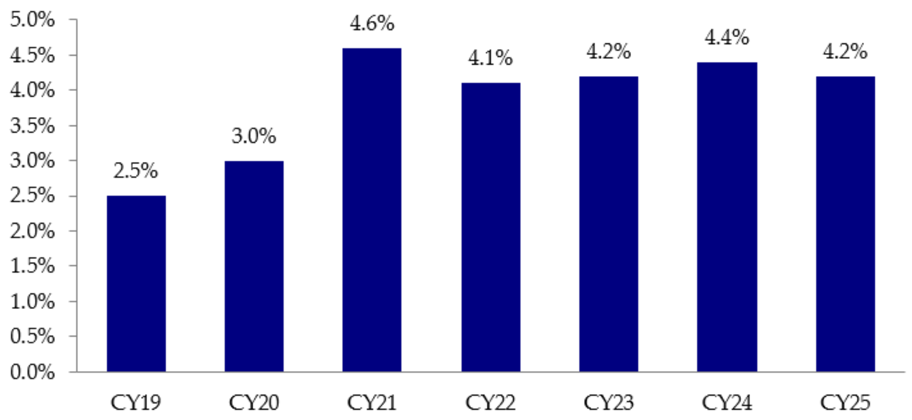
Source: Ricardo, CRISIL, Company, HSIE Research

Starter motors

(% of FY26 consol revenue mix: micro/plug-in hybrid = 16%, conventional = 7%)

Starter motors are used in most ICE and hybrids. They operate by converting electrical energy from a battery into mechanical energy, which helps start the engine. However, they are not present in BEVs and thus will see reduced demand as EV penetration picks up.

Exhibit 7: The company's global market share of starter motors



Source: Ricardo, CRISIL, Company, HSIE Research

Traction and suspension motors

(% of FY26 consol revenue mix = 11%)

Traction motors are used in EVs, where the motor converts electrical energy into mechanical energy. Major competitors for the company in India are Mahle Auto Electrical drives, SEG Automotive and Lucas TVS.

The company provides traction motors to the e-2W and e-3W segments, as it continues to do work on developing high voltage traction motors for four wheelers. While the vertical is fast growing, it has lower margins as compared to the core business.

Suspension motors are used to provide a smoother ride experience, and due to its high cost currently, is being largely used only in the premium vehicle segment.

Railway components

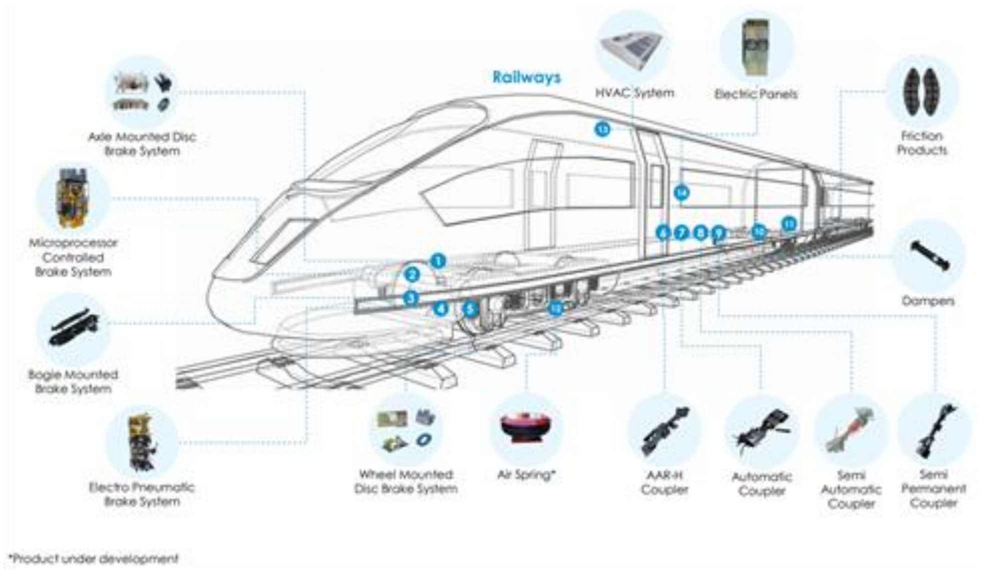
(% of FY26 consol revenue mix: brake system = 10%, suspension and coupler = 4%)

Sona BLW acquired the railway component division of Escorts Kubota in June 2025, for INR 16bn on a slump sale basis. The business caters to passenger coaches, freight wagons, locomotives, and EMUs/DMUs/MEMUs.

The offerings now include advanced braking technologies, heavy-duty hydraulic dampers, and coupling systems. It holds leadership position in railway braking systems in India and is among the leading suppliers of couplers, dampers and friction products. In FY26, it commercialized three new products: Hydraulic Motor Controller, Railway Electric Control Panel and HVAC System. It is also developing systems enabled with intelligent micro-processor controlled systems for high-speed trains such as Amrit Bharat, Vande Bharat, and Metro.

Product portfolio includes brake system, axle mounted disc brake, wheel mounted disc brake, electro pneumatic brake, microprocessor controller brake, bogie mounted brake, couplers, suspension systems, friction and rubber products, HVAC systems, electrical control panels, air springs, vacuum evacuation systems, automatic plug doors.

Exhibit 8: Content for railways



Source: Company, HSIE Research

Sensors and software

(% of FY26 consol revenue mix = 2%)

In 2023, the company acquired a majority stake in Novelic, which is a provider of mmWave radar sensors, perception solutions, and full-stack embedded systems. This enables the company to participate in the in-cabin sensor opportunity that is important to meet the updated Euro NCAP norms.

Additionally, for CVs, Lane Departure Warning Systems (LDWS) and advanced driver monitoring and visibility systems that are expected to become mandatory in the future will enable the company's sensor vertical to gain traction.

Robotics and Physical AI

The company has recently introduced a new growth vertical in robotics and physical AI, where it will focus on the entire value chain: components & subsystems, perception stack & services, and development & manufacturing.

Exhibit 9: Robotics and Physical AI opportunity

Source: Company, HSIE Research

It has recently won three orders aggregating to INR6bn:

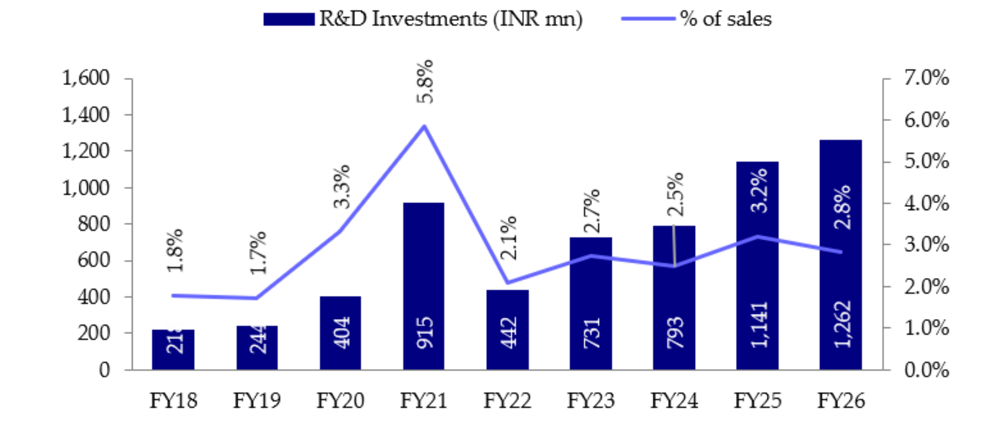
- for advanced robotics subsystem
- for radar perception stack for AMR for farm application
- for short range radar sensors for an Indian CV OEM

This takes the total order book for this growth vertical to INR8bn.

Strong technology player

The company has lately been investing close to 3% of sales into R&D. We expect the continuing R&D efforts to aid in further expansion of the product portfolio, going forward.

Exhibit 10: Focus on R&D continues



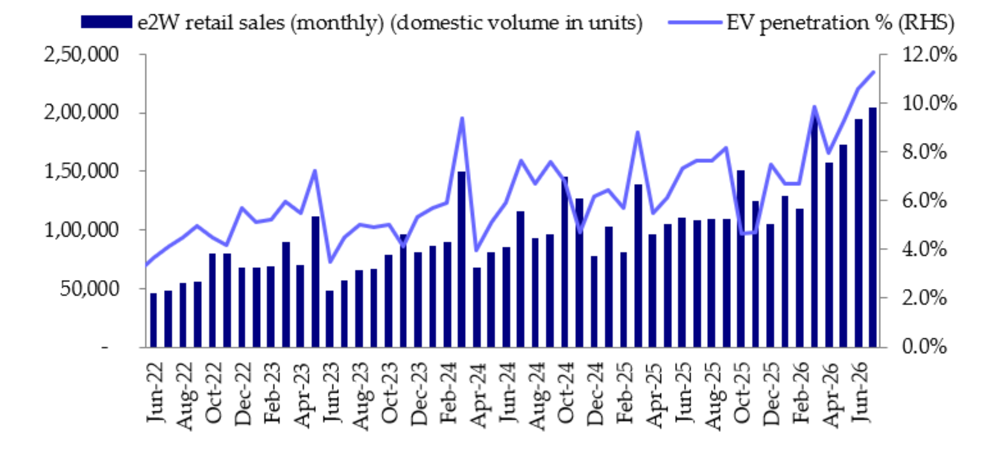
Source: Company, HSIE Research

Rising EV penetration in India bodes well for the company

Rising EV penetration will not only enable the company to sell much more traction motors, it will also ramp up sales of differential assembly, considering higher market share in the EV differential vs ICE differential. Additionally, due to the complexity and higher technical requirements, the EV differential is a higher realization product.

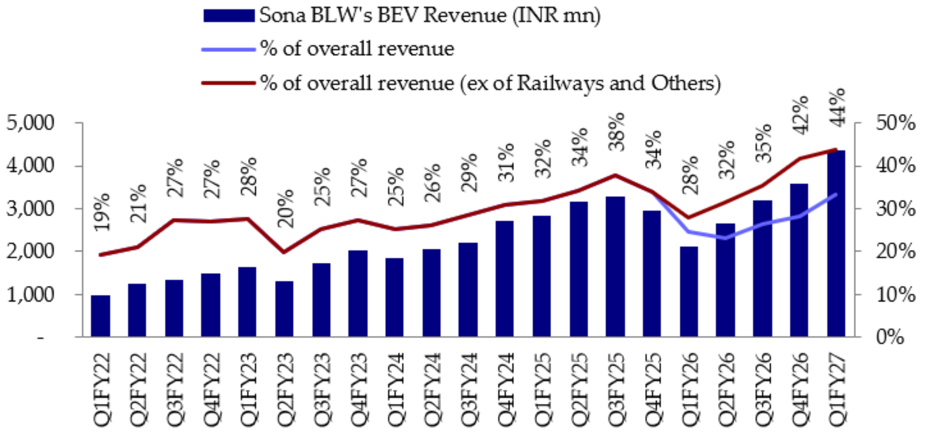
While EV penetration in 3W has already reached a very high level, the same in e-2W is also picking up pace.

Exhibit 11: e-2W penetration continues to gain traction



Source: Vahan, HSIE Research

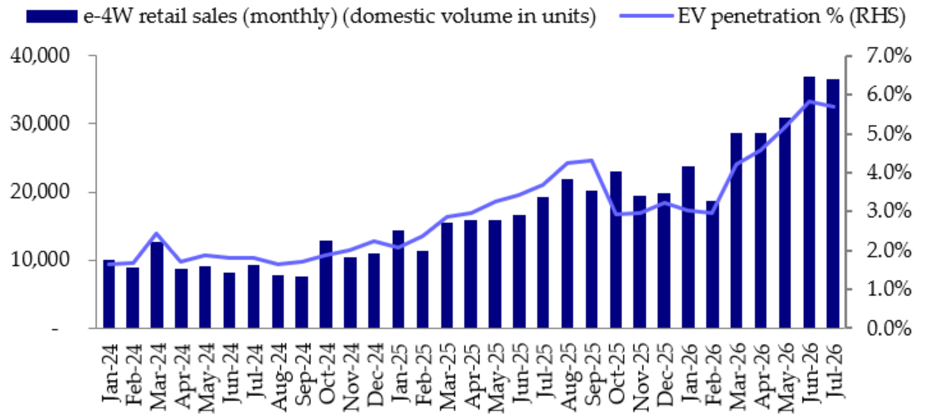
Exhibit 12: BEV revenues of the company on the rise



Source: Vahan, Company, HSIE Research

The company is currently working on high-voltage traction motors for e-4W.

Exhibit 13: e-4W penetration continues to gain traction (includes all four-wheeler vehicles like cars, commercial vehicles, buses, tractors, etc.)



Source: Vahan, HSIE Research

Recent order wins

The company has not only added new customers, but has also been able to expand its content value with existing customers.

Order win period	OEM	Addition to net order book (INR mn)	Products	Vehicle	SOP	Existing Customer	New Customer
Q1FY27	North American OEM of PVs and EVs	6,400	Differential Assembly	Hybrid PVs	H2FY29	Yes	
Q1FY27	New Age Indian OEM of Electric 2-Wheelers	900	Hub Wheel Traction Motor	Electric 2Ws	H2FY26		Yes
Q1FY27	North American OEM of PVs and EVs	2,100	Differential Gears	Non-Electric Passenger Vehicles	H2FY28	Yes	
Q1FY27	North American and Indian Customers	400	Differential Gears	Multiple programs for Non-Electric CVs and OHVs	H1FY28	Yes	
Q4FY26	European OEM of PVs and EVs	2,200	Differential Gears	Battery Electric PVs	H1FY29		Yes
Q4FY26	European OEM of PVs and EVs	1,400	Differential Assembly	Battery Electric PVs	H1FY28		Yes
Q4FY26	European OEM of PVs and EVs + Indian OEM of PVs, CVs, and EVs	1,000	Differential Assembly	Battery Electric PVs	H1FY28	Yes	
Q4FY26	European OEM of PVs and EVs	1,200	Differential Assembly	Hybrid PVs	H2FY28	Yes	
Q2FY26	North American OEM of Recreational Off-highway Vehicles	2,600	Differential Assembly	Recreational Off-Highway Vehicles	Q2FY28	Yes	
Q1FY26	North American OEM of PVs and EVs	15,500	Final Drive Differential Assembly	Electric PVs	Q3FY28	Yes	
Q1FY26	Indian OEM of Electric and ICE 2 and 3 Wheelers	2,600	Traction Motors	Electric 3Ws	Q4FY26	Yes	
Q4FY25	North American New Age OEM of Electric PVs	15,200	Rotor Embedded Differential Sub-Assembly and Epicyclic Geartrain	Electric PVs	Q4FY26	Yes	
Q4FY25	Global OEM of CVs	1,100	Steering Bevel Box	CVs	Q3FY26	Yes	
Q3FY25	Indian OEM of PVs, CVs, OHVs, and EVs	3,000	Differential Assembly	Electric PVs	Q2FY27	Yes	

JVs with Denso

The company is partnering with Denso across 2 JVs for electric and hybrid powertrain systems, with JV1 for 2W and 3W applications and JV2 for 4W and 4W+ applications. Management has also highlighted that in both JVs the smaller shareholder in the JV will pay royalty to the larger shareholder in the JV, due to the technology being brought in by the respective larger shareholder.

JV1 (Equity share: Sona BLW = 51%, Denso = 49%)

The board of the company has approved the EV business of the company to be transferred to Sona Comstar eDrive Pvt Ltd (JV1) for a cash consideration amounting to INR 8,575mn (subject to customary closing adjustments). This is being done at an arm's length price being the fair market value determined through the valuation obtained from an independent valuer.

For the balance consideration amount, equity shares would be issued by JV1 to the company. The transaction is proposed to be completed on or before 31 Marc 2027, unless further extended on agreement between both parties.

For the EV business in FY26, the turnover was INR 3,855 mn, and the net worth was INR 3,471mn.

Separately, the company has also entered into a share subscription agreement (SSA) with JV1 and Denso, through which Denso will purchase 49% equity shares in JV at an EV of INR 17,500mn (subject to customary closing adjustments).

JV1 will look to develop high-efficiency liquid-cooled traction inverters, traction motors and generators for electric and hybrid passenger vehicles, commercial vehicles and other high-voltage applications.

JV2 (Equity share: Denso = 51%, Sona BLW = 49%)

Pursuant to the incorporation of JV2, the company and Denso will invest funds aggregating to INR 535mn.

JV2 will undertake development, design, manufacture, sale, marketing

of liquid-cooled traction motor-generators, traction inverters, and related products and technologies for electric and hybrid system of 4 wheelers and more than 4 wheeler applications (including passenger vehicles, commercial vehicles and other mobility applications), excluding e-axles and gears.

The opportunity for the company

The partnership allows the company to have access to Denso's IP and know-how of products considering its large presence in the electric and hybrid powertrain systems. It also provides an opportunity to localize the electric and hybrid powertrain systems at a time when we are seeing rising EV penetration, and allows for an expansion of the company's product portfolio and customer base.

Company history

Incorporated in 1995 as Sona Okegawa Precision Forgings, a JV between Sona Group and Mitsubishi Materials, the company pioneered precision-formed bevel gears technology in the Indian automotive market.

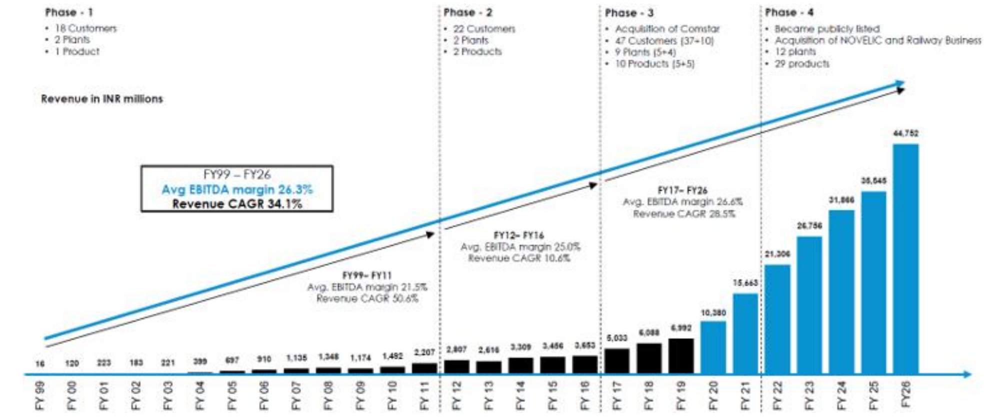
It later acquired ThyssenKrupp's precision forging business, BLW, which was the inventor of this technology, and renamed itself Sona BLW Precision Forgings.

In 2019, it acquired Comstar Automotive, adding motor capabilities, and established a new brand identity called 'Sona Comstar'.

In 2023, it added sensors and software capabilities by acquiring a majority stake in NOVELIC, a Serbia-based company with expertise in mmWave radar sensing technology.

After expanding its focus beyond the automotive sector to broader mobility areas in 2023, it acquired the Railway Business from Escorts Kubota in 2025, becoming a leading supplier of safety systems to the railway industry in India.

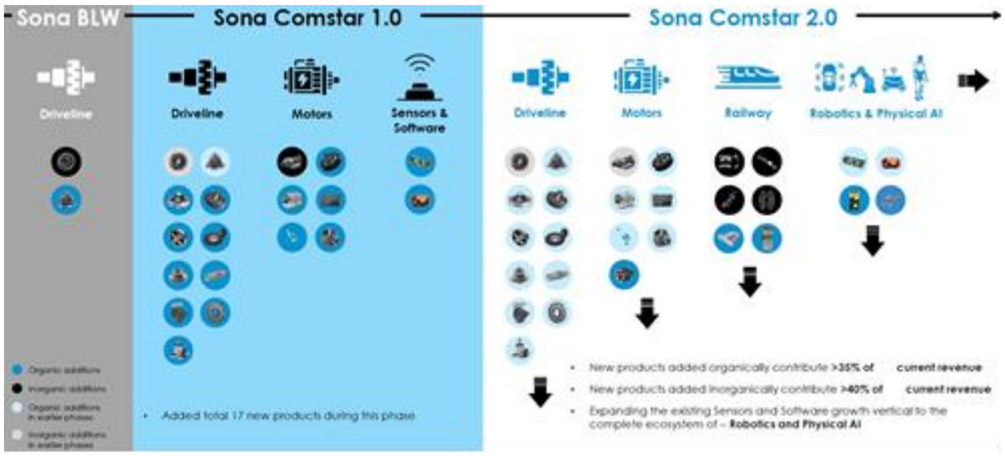
Exhibit 14: Story so far



Source: Company, HSIE Research

While the company's revenue grew >10x from INR 3,450mn in FY15 to INR 35,550 mn in FY25, it aspires to replicate the same 10x growth in the next decade focusing on the new strategy. This implies a CAGR of just over 25% during the period.

Exhibit 15: Gearing up for the company's 2.0 version



Source: Company, HSIE Research

Key management personnel:

Name	Position
Mr. Vivek Vikram Singh	MD & Group CEO
Mr. Rohit Nanda	Group CFO
Mr. Praveen Chakrapani Rao	Group CTO
Mr. V. Vikram Verma	Whole Time Director and CEO, Driveline Business
Mr. Sat Mohan Gupta	CEO, Motor Business
Mr. Amit Mishra	Head, Railway Business

Valuation

We are factoring in a growth CAGR of 23.8% over FY26-FY29E, with some margin recovery from 23.7% in FY27E to 25.0% in FY29E. While growth will be led by addition of new customers, expansion of product portfolio, faster EV transition in India, and forex tailwinds, the margin recovery will be led by scale benefits and value engineering-led cost reduction. We expect the growth trajectory to be strong over the medium to long term considering the huge business potential. Factoring in all the positives, we expect the stock to get rerated in due course, and thus value the stock with a target P/E of 43x Sep-28 EPS (near +2SD of 3 year mean). Key risks are continuing higher US tariffs and geopolitical tensions that could hurt growth and limit margin expansion.

Exhibit 16: Target P/E at +2SD of 3-year mean

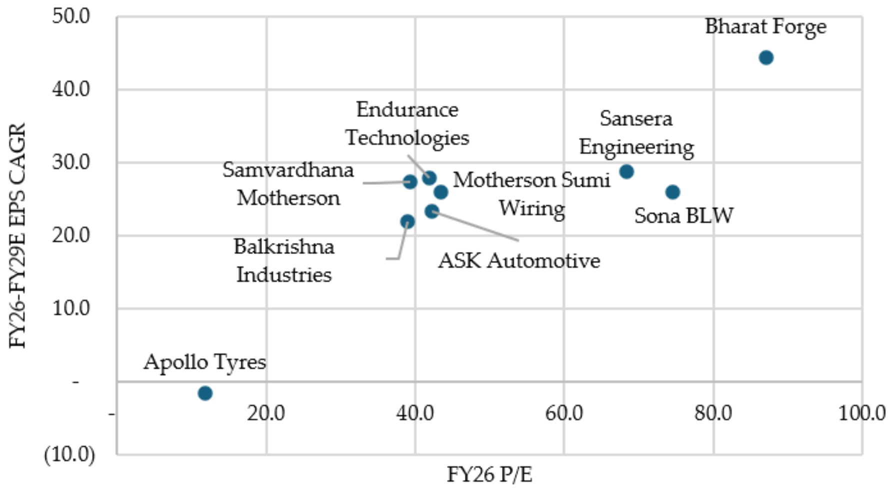
Source: Company, Bloomberg, HSIE Research

Exhibit 17: Valuation summary (coverage universe)

Company	EPS (INR)				P/E (x)				Rev CAGR FY26-29	EPS CAGR FY26-29
	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E		
Auto										
Ashok Leyland	6.7	6.9	8.8	10.1	26.6	25.6	20.2	17.6	11.9	14.8
Ather Energy	(13.4)	(12.4)	(0.9)	10.6	(109.9)	(118.4)	(1,726.0)	139.2	44.5	NA
Bajaj Auto	351.5	411.3	473.3	531.4	33.6	28.7	24.9	22.2	14.4	14.8
Eicher Motors	185.8	210.4	249.8	291.0	43.0	38.0	32.0	27.4	16.3	16.1
Hero MotoCorp	269.5	290.7	332.2	370.1	21.1	19.6	17.1	15.4	10.8	11.1
Hyundai Motor India	66.8	70.3	90.7	100.2	33.2	31.6	24.4	22.1	11.9	14.4
Mahindra & Mahindra	130.1	133.3	158.6	180.9	26.6	25.9	21.8	19.1	12.3	11.6
Maruti Suzuki	470.6	491.9	651.3	739.1	30.2	28.8	21.8	19.2	13.3	16.2
Tata Motors	12.5	17.3	21.6	25.4	33.7	24.4	19.6	16.7	10.4	26.5
TVS Motors	77.0	91.7	112.9	130.8	57.9	48.6	39.5	34.1	14.2	19.3
Tata Motors PV	7.5	24.3	62.0	66.6	46.6	14.4	5.6	5.2	15.2	107.1
Auto Ancillaries										
Apollo Tyres	37.9	24.9	32.3	36.1	11.7	17.9	13.8	12.3	8.0	(1.6)
ASK Automotive	15.1	18.1	23.5	28.3	42.3	35.2	27.1	22.5	17.1	23.3
Balkrishna Industries	64.1	76.9	100.3	116.0	39.0	32.5	24.9	21.6	16.4	21.9
Bharat Forge	25.2	37.7	59.9	76.1	87.0	58.3	36.7	28.9	20.2	44.5
Endurance Technologies	69.1	71.7	99.0	122.6	41.8	40.4	29.2	23.6	23.0	27.9
Motherson Sumi Wiring	0.9	1.2	1.6	1.9	43.5	34.9	25.5	21.7	15.2	26.1
Samvardhana Motherson	3.9	4.7	6.7	8.1	39.3	32.8	23.0	19.0	13.1	27.3
Sansera Engineering	54.7	64.4	97.6	117.1	68.4	58.1	38.3	32.0	20.7	28.9
Sona BLW	10.9	13.2	17.4	21.9	74.5	61.9	46.8	37.2	23.8	26.0

Source: Bloomberg, HSIE Research, Prices as on close of 5th August 2026

Exhibit 18: EPS CAGR (FY26-FY29E) vs P/E (FY26) of the auto ancillary universe



Source: Bloomberg, HSIE Research, Prices as on close of 5th August 2026

Financials

Consolidated P&L

Year End (March) - INR mn	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	**21,306**	**26,756**	**31,848**	**35,545**	**44,751**	**55,648**	**69,116**	**84,838**
Growth (%)	36.0	25.6	19.0	11.6	25.9	24.3	24.2	22.7
Material Expenses	9,456	12,200	13,741	15,447	20,968	26,488	32,485	39,789
Employee Expense	1,689	1,804	2,501	3,150	4,342	5,384	6,568	8,013
Other Expenses	4,571	5,795	6,584	7,195	8,373	10,573	12,994	15,865
EBITDA	**5,591**	**6,958**	**9,021**	**9,753**	**11,069**	**13,202**	**17,069**	**21,171**
EBITDA Growth (%)	**27**	**24**	**30**	**8**	**13**	**19**	**29**	**24**
EBITDA Margin (%)	**26.2**	**26.0**	**28.3**	**27.4**	**24.7**	**23.7**	**24.7**	**25.0**
Depreciation	1,420	1,780	2,202	2,544	2,877	3,056	3,443	3,891
EBIT	**4,171**	**5,178**	**6,819**	**7,209**	**8,191**	**10,146**	**13,626**	**17,280**
Other Income	200	116	239	1,269	970	1,018	1,069	1,122
Interest	183	169	258	302	235	258	253	248
PBT before exceptional	**4,189**	**5,125**	**6,800**	**8,176**	**8,926**	**10,906**	**14,442**	**18,154**
Total Tax	**706**	**1,138**	**1,535**	**1,986**	**2,124**	**2,727**	**3,611**	**4,538**
Exceptional items	133	-34	-87	-193	-510	0	0	0
Reported PAT	3,615	3,953	5,178	5,997	6,292	8,180	10,832	13,615
Adjusted PAT	**3,483**	**3,987**	**5,265**	**6,190**	**6,802**	**8,180**	**10,832**	**13,615**
APAT Growth (%)	52	14	32	18	10	20	32	26
EPS	**6.0**	**6.8**	**9.0**	**10.0**	**10.9**	**13.2**	**17.4**	**21.9**
EPS Growth (%)	52.0	14.1	31.8	10.9	9.8	20.3	32.4	25.7

Source: Company, HSIE Research

Consolidated Balance Sheet

Year End (March) - INR mn	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital - Equity	5,844	5,854	5,864	6,217	6,218	6,218	6,218	6,218
Other Equity	14,159	17,048	20,639	48,731	53,611	59,054	66,279	75,293
Total Shareholders' Funds	**20,003**	**22,902**	**26,503**	**54,948**	**59,829**	**65,273**	**72,498**	**81,511**
Minority interest	0	0	1,498	1,499	1,492	1,492	1,492	1,492
Net Deferred Taxes	884	876	1,261	1,252	1,362	1,430	1,502	1,577
Borrowings	1,511	2,952	2,331	135	2,427	2,306	2,190	2,081
TOTAL CAPITAL EMPLOYED	**22,398**	**26,730**	**31,593**	**57,833**	**65,111**	**70,501**	**77,682**	**86,661**
APPLICATION OF FUNDS								
Net Block	7,193	9,644	11,515	13,731	18,193	20,331	22,636	25,072
Goodwill	1,758	1,758	3,518	3,518	5,564	5,564	5,564	5,564
Intangible Assets	4,890	4,474	4,472	4,023	12,707	12,312	12,364	12,837
CWIP	1,474	911	3,636	4,195	4,268	4,268	4,268	4,268
Investments	-	45	100	457	499	524	551	578
Other non-current assets	890	764	1,335	1,326	1,476	1,550	1,628	1,709
Total Non-current Assets	**16,205**	**17,596**	**24,577**	**27,250**	**42,707**	**44,550**	**47,010**	**50,028**
Investments	65	2,281	316	8,185	4,999	5,249	5,511	5,787
Inventories	3,634	3,229	3,475	3,487	6,156	8,532	10,597	13,008
Debtors	4,452	6,089	6,483	7,052	11,507	14,484	17,042	20,919
Cash & Equivalents	773	698	2,742	13,016	3,484	3,169	4,507	5,668
Other Current Assets	829	705	1,056	6,381	5,786	6,075	6,379	6,698
Total Current Assets	**9,752**	**13,002**	**14,072**	**38,121**	**31,932**	**37,509**	**44,038**	**52,080**
Creditors	2,190	2,489	2,981	3,238	4,622	6,407	7,957	9,767
Other Current Liabilities & Provns	1,370	1,379	4,075	4,299	4,906	5,151	5,409	5,679
Total Current Liabilities	**3,559**	**3,868**	**7,056**	**7,537**	**9,528**	**11,558**	**13,366**	**15,447**
Net Current Assets	**6,193**	**9,134**	**7,015**	**30,583**	**22,404**	**25,951**	**30,672**	**36,633**
TOTAL APPLICATION OF FUNDS	**22,398**	**26,730**	**31,593**	**57,833**	**65,111**	**70,501**	**77,682**	**86,661**

Source: Company, HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	4,322	5,091	6,713	7,983	8,416	10,906	14,442	18,154
Interest/Dividend recd	(179)	(112)	(209)	(805)	(584)	-	-	-
Depreciation	1,420	1,780	2,202	2,544	2,877	3,056	3,443	3,891
Taxes paid	(544)	(1,102)	(1,553)	(1,740)	(1,875)	(2,658)	(3,539)	(4,463)
Working Capital Change	(883)	(630)	(644)	(556)	(2,453)	(3,686)	(3,197)	(4,607)
Other items	309	307	418	325	210	258	253	248
OPERATING CASH FLOW (a)	**4,444**	**5,333**	**6,928**	**7,752**	**6,591**	**7,876**	**11,403**	**13,223**
Capex	(3,438)	(3,351)	(3,191)	(4,155)	(4,791)	(4,800)	(5,800)	(6,800)
Free Cash Flow (FCF)	1,006	1,982	3,736	3,597	1,800	3,076	5,603	6,423
Investments	(275)	(2,309)	(1,728)	(14,101)	4,330	(275)	(289)	(303)
Interest received	179	31	204	602	1,175	-	-	-
INVESTING CASH FLOW (b)	**(3,534)**	**(5,629)**	**(4,715)**	**(17,654)**	**714**	**(5,075)**	**(6,089)**	**(7,103)**
Debt Issuance/(Repaid)	(2,954)	1,436	6	(5,303)	2,155	(121)	(115)	(110)
Interest Expenses	(92)	(90)	(260)	(256)	(177)	(258)	(253)	(248)
FCFE	(1,856)	3,508	4,002	(1,450)	4,132	3,213	5,740	6,562
Change in net worth	3,041	40	300	23,932	3	-	-	-
Dividend	(450)	(1,199)	(1,793)	(1,892)	(1,990)	(2,736)	(3,607)	(4,602)
Other items	(182)	-	-	2,956	-	-	-	-
FINANCING CASH FLOW (c)	**(637)**	**188**	**(1,747)**	**19,436**	**(10)**	**(3,116)**	**(3,975)**	**(4,959)**
NET CASH FLOW (a+b+c)	**273**	**(109)**	**465**	**9,534**	**7,295**	**(315)**	**1,339**	**1,161**
Add: Beginning cash	**261**	**550**	**445**	**941**	**10,642**	**1,511**	**1,196**	**2,535**
Closing Cash & Equivalents	**534**	**441**	**910**	**10,475**	**17,937**	**1,196**	**2,535**	**3,695**

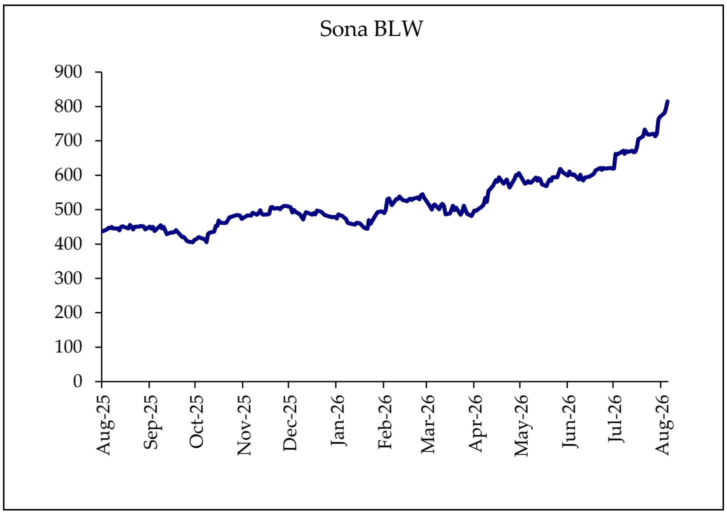
Source: Company, HSIE Research

Ratios

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	55.6	54.4	56.9	56.5	53.1	52.4	53.0	53.1
EBITDA Margin (%)	26.2	26.0	28.3	27.4	24.7	23.7	24.7	25.0
EBIT Margin	19.6	19.4	21.4	20.3	18.3	18.2	19.7	20.4
PBT Margin	19.7	19.2	21.4	23.0	19.9	19.6	20.9	21.4
APAT Margin	16.3	14.9	16.5	17.4	15.2	14.7	15.7	16.0
RoE	20.6	18.6	21.3	15.2	11.9	13.1	15.7	17.7
RoIC (or Core RoCE)	17.1	17.8	20.2	16.7	13.4	12.8	15.8	18.1
RoCE	21.0	21.6	24.2	19.0	14.9	16.5	19.8	22.4
EFFICIENCY								
Tax Rate (%)	16.9	22.2	22.6	24.3	23.8	25.0	25.0	25.0
Fixed Asset Turnover (x)	3.5	2.0	1.5	1.4	1.3	1.2	1.4	1.5
Inventory (days)	62	44	40	36	50	56	56	56
Debtors (days)	76	83	74	72	94	95	90	90
Other Current Assets (days)	14	10	12	66	47	40	34	29
Payables (days)	38	34	34	33	38	42	42	42
Other Current Liab & Provns (days)	23	19	47	44	40	34	29	24
Cash Conversion Cycle (days)	92	84	45	96	114	115	109	108
Net D/E (x)	0.04	0.10	-0.02	-0.23	-0.02	-0.01	-0.03	-0.04
Interest Coverage (x)	22.8	30.6	26.4	23.9	34.9	39.3	53.8	69.7
PER SHARE DATA (Rs)								
P/Sales	22.3	17.8	15.0	14.2	11.3	9.1	7.3	6.0
EPS	6.0	6.8	9.0	10.0	10.9	13.2	17.4	21.9
CEPS	8.4	9.9	12.7	14.1	15.6	18.1	23.0	28.2
Dividend	1.5	2.8	3.1	3.2	3.4	4.4	5.8	7.4
Book Value	34.3	39.1	45.2	88.4	96.2	105.0	116.6	131.1
VALUATION								
P/E (x)	136.4	119.6	90.7	81.8	74.5	61.9	46.8	37.2
P/BV (x)	23.8	20.8	18.0	9.2	8.5	7.8	7.0	6.2
EV/EBITDA (x)	85.1	68.9	52.9	50.6	45.7	38.3	29.5	23.8
EV/Revenues (x)	22.3	17.9	15.0	13.9	11.3	9.1	7.3	5.9
OCF/EV (%)	0.9	1.1	1.5	1.6	1.3	1.6	2.3	2.6
FCF/EV (%)	0.2	0.4	0.8	0.7	0.4	0.6	1.1	1.3
FCFE/Mkt Cap (%)	(0.4)	0.7	0.8	(0.3)	0.8	0.6	1.1	1.3
Dividend Yield (%)	0.2	0.3	0.4	0.4	0.4	0.5	0.7	0.9

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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