



# MSEARCH

## IPO OFFERING

**SONA BLW PRECISION FORGINGS LTD**



**SONA COMSTAR**

### About Company

### Recommendation: Subscribe with caution of risk

Incorporated in 1995, Sona BLW Precision Forgings Limited (Sona Comstar) is one of India's leading automotive technology companies. It is into designing, manufacturing and supplying highly engineered, mission critical automotive systems and components such as differential assemblies, differential gears, conventional and micro-hybrid starter motors, BSG systems, EV traction motors (BLDC and PMSM) and motor control units to automotive OEMs. It caters worldwide to its clients in US, Europe, India and China, for both electrified and non-electrified powertrain segments. Sona Comstar is amongst the top 10 players globally in the differential bevel gear market. It owns 9 manufacturing and assembly facilities across India, China, Mexico and USA, of which 6 are located in India.

Price Band	: Rs. 285 to 291 per share
Face Value	: Rs. 10
Bid Lot size	: 51 Shares
Issue size	: Rs. 5,250 Cr
Issue Opens	: June 14 <sup>th</sup> 2021, Monday
Issue Closes	: June 16 <sup>th</sup> 2021, Wednesday
Min App Amount	: Rs. 14,841 /- at upper band

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**Msearch View & Recommendation:** We believe Sona Comstar IPO offer gives investors an opportunity to invest in a leading and diversified automotive systems and components company involved in designing, OEM manufacturing and supplying highly engineered products with high focus on EV motors components. We are optimistic about the EV components manufacturing sector as demand would rise going forward due to high fuel cost wherein Sona Comstar has growth opportunities for the long term. "Make in India" an initiative by the Indian Govt will also add impetus to the emergence of India as an automobile manufacturing hub for the world. Considering its well-diversified presence in automotive segments and long-standing relationships with marquee customers (Maruti, Mahindra Electric, Volvo and Jaguar) with a global presence, Sona Comstar is well placed to tap the sector growth but one should also consider a few risks before making an informed decision to invest in this IPO that would be like major part of issue stands out to be share holder exiting via OFS worth Rs 5250 Cr out of Rs 5500 Cr issue size and high competition in domestic as well as global markets which can keep margins under check. On valuations parse at upper price band (Rs 291/-), the issue is asking for a market cap of Rs 16,973 Cr with the price-earnings ratio at 77x FY21E annualized earnings vs. industry average P/E at ~76x and on P/BV ratio the company is asking for 12x FY21E annualized book value vs 5x industry average which seems this IPO is fully priced offer to new investors. Hence considering all the above factors, risk concerns weigh more over rationales to invest in this IPO offer so we recommend risky investors can "Subscribe with Caution of risk" for decent listing gain while conservative investors can give a miss on this offer.



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### BASIC FINANCIAL DETAILS

Particulars Rs (in Cr)	2019	2020	2021
Equity Share Capital	28	47	573
Reserves as stated	146	1130	731
Net worth as stated	174	1178	1304
Revenue from Operations	699	1038	1566
Revenue Growth (%)	-	48.44%	50.91%
EBITDA as stated	200	242	441
Profit Before Tax	155	387	300
Net Profit for the period	1773	360	215
EPS (Rs )	5.2	7.1	3.8
ROE%	35.6%	35.2%	36.4%
ROCE%	40.3%	29%	34.8%
NAV (₹ )	5.2	23.1	22.8

Source: Company RHP

### COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)

Companies	MCap	FV	Revenue	EPS	NAV	P/E	RoNW
Sona BLW Precision Ltd	16,974	10	1,566	3.76	22.75	77	16.5%
Mothersonsumi system Ltd	76,386	1	60,194	3.29	52.52	72.13	9.5%
Sundaram Clayton Ltd	7,251	5	20,299	159.98	2304.91	22.30	12.7%
Varroc Eng Ltd	5,746	1	11,121	0.01	224.72	-	0.1%
Endurance Technologies Ltd	21,081	10	6,547	36.95	253.24	34.99	14.6%

Data as on 31<sup>st</sup> March 2021

Source: Company RHP