

Sona BLW Precision Forgings Ltd : Good Issue :

IPO Note: In the CY 2020, SBPFL was among the top ten players globally in the differential bevel gear market : Issue seems expensive at a PE of 79 : Ranking***



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Issue details

Price band (Rs)	Rs.285-291
IPO Opening Date	14/06/21
IPO Closing Date	16/06/21
Issue Size	Rs.5550 Cr.

Recommendation

On the financial performance front, SBPFL has, on a consolidated basis, posted turnover/net profit of Rs. 702.50 cr. / Rs. 100.11cr. (FY19), Rs. 1043.77 cr. / Rs. 360.34 cr. (FY20) and Rs. 1565.64 cr. / Rs. 215.17 cr. (FY21). Thus though it has posted growth in top lines, its bottom line marked a setback for FY21. As per the RHP data, SBPFL has shown Motherson Sumi, Sundaram Clayton, Varroc Engg., Bosch Ltd., Mahindra CIE, Endurance Techno, Minda Ind., Sundram Fasteners and Wabco India as its listed peers. They are currently trading at a P/E of 148.44, 91.1, 64.45, 46.18, 00, 52.84, 178.38, 53.17 and 125.07. Due to the pandemic, the auto sector has suffered a severe setback. If we attribute FY21 earnings on fully diluted post issue equity, then the asking price is at a P/E of around 79.07. Based on its financial data, the IPO seems expensive.

Highlights

- Sona BLW Precision Forgings Ltd(SBPFL) is a global player in critical auto components with a thrust on the EV segment.
- According to the Ricardo Report, in the calendar year 2020, SBPFL was among the top ten players globally in the differential bevel gear market on the basis of overall volumes of differential bevel gears supplied to PVs, CVs and tractors.
- The company has been gaining global market share across products to reach a share of approximately 5.0% for differential bevel gears, 3.0% for starter motors and 8.7% for BEV differential assemblies.
- The company is a global supplier and around 75% of its revenues are from overseas selling
- This is the first mega IPO in the auto part sector that has just 6% primary offer and 94% secondary offer.

Company Introduction

Incorporated in 1995, Sona BLW Precision Forgings Limited is one of the leading automotive technology companies in India. The company is primarily engaged in designing, manufacturing, and supplying high-quality mission-critical automotive components such as differential assemblies, gears, conventional and micro-hybrid starter motors, etc.

As per CRISIL Report, it is among the top 10 auto-component manufacturers. In 2020, Sona Comstar was among the top 10 global players for the differential bevel gear segment and among the largest exporters of starter motors in India. The firm supplies its products across the countries such as India, US, Europe, and China. It has 9 manufacturing and assembly facilities across the USA, India (6), China, and Mexico.

The company is a global supplier and around 75% of its revenues are from overseas selling. It is also one of the two



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largest exporters of starter motors from India, according to the Ricardo Report. SBPFL is a technology and innovation-driven company. With a strong focus on research and development ("R&D"), it develops mechanical and electrical hardware systems, components as well as base and application software solutions, to meet the evolving demands of its customers.

Company Promoters:

Sunjay Kapur, Sona Autocomp Holdings Private Limited and Singapore VII Topco III Pte. Ltd are the company promoters.

Objects of the Issue:

- Repayment or prepayment of company's borrowings fully or partially.
- General corporate purposes.

IPO Issue Proceed

To part finance its plans for repayment/pre-payment of identified borrowing (Rs. 241.12 cr.), general corpus fund needs, SBPFL is coming out with a maiden IPO of Rs. 5550.00 cr. that includes fresh equity issue worth Rs. 300 cr. and the rest by way of offer for sale. The company has fixed the price band of Rs. 285-Rs. 291 per share and the minimum application is to be made for 51 shares and in multiples thereon, thereafter. The issue opens for subscription on June 14, 2021, and will close on June 16, 2021. Post allotment, shares will be listed on BSE and NSE. Post issue company's current paid-up equity capital of Rs. 572.98 cr. will stand enhanced to Rs. 583.29 cr. At the upper price band, the company is looking for a market cap of Rs. 16973.73 cr.

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	1568.64	1043.76	702.50
Net Profit	215.16	360.34	100.11
EPS (Rs)	3.68	6.17	1.71

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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