



Date: - 19th May, 2025

BSE Ltd. Regd. Office: Floor - 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. BSE Scrip Code: 543300	National Stock Exchange of India Ltd. Listing Deptt., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 NSE Scrip: SONACOMS
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Subject: - Intimation of credit rating pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that India Ratings & Research has affirmed the Company's Rating '**IND AA+/Stable**' for Term Loan and '**IND AA+/Stable/IND/ A1+**' for Fund based/Non-Fund based limit.

Enclosed herewith the press release issued by India Ratings & Research dated 19th May, 2025.

This is for your information and further dissemination.

Thanking you,

For Sona BLW Precision Forgings Limited

Ajay Pratap Singh
Group General Counsel, Company Secretary and Compliance Officer

Enclosed as above;

India Ratings Affirms Sona BLW Precision Forgings's Bank Facilities at 'IND AA+'/Stable

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India Ratings and Research (Ind-Ra) has affirmed Sona BLW Precision Forgings Limited's (SBPFL) bank facilities as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Term loan	-	-	31 December 2026	INR2,000 (reduced from INR3,500)	IND AA+/Stable	Affirmed
Fund-based/non-fund-based limit	-	-	-	INR7,250	IND AA+/Stable/IND A1+	Affirmed

Analytical Approach

Ind-Ra continues to fully consolidate SBPFL's [wholly owned subsidiaries](#) to arrive at the ratings, because of the strong operational and strategic linkages among them.

Detailed Rationale of the Rating Action

The affirmation reflects SBPFL's sizeable order book (including electric vehicle (EV)-related order book) at the consolidated level, benefitting from consistent new product launches, along with the recent acquisition of Escorts Kubota Ltd's (EKL) railway division, which is likely to aid in further diversification of the overall revenue profile. The ratings also factor in the company's strong operating performance, robust liquidity, and strong credit metrics at the consolidated level, which, Ind-Ra expects to sustain over the near-to-medium term.

List of Key Rating Drivers

Strengths

- Healthy order book and addition of railway division to support revenue growth
- Strong EBITDA generation
- Improving business profile
- Improved market position
- Robust credit profile; moderate capex plans to support

Weaknesses

- High customer concentration
- Exposure to forex volatility

Detailed Description of Key Rating Drivers

Healthy Order Book and Addition of Railway Division to Support Revenue Growth: Ind-Ra expects the consolidated revenue to improve 13%-15% yoy, each, in FY26 and FY27 on the back of new programmes across product segments such as EV traction motors, gears and differential assemblies, along with the addition of railway division, which is likely to start from June 2025. SBPFL had announced acquisition of railway equipment division from EKL via a slump sale arrangement during October 2024. The railway equipment division recorded revenue of INR9,500 million during FY24. The plant in Faridabad will also be acquired as a part of this acquisition, which is fully operational. SBPFL's revenue growth will continue to be supported by customer additions as well as SBPFL's strong order book-backed capacity expansion for assembly lines. As on 31 March 2025, SBPFL had an unexecuted order book of INR242,000 million, 77% of which pertains to the EV segment, to be executed in the next 10 years.

The consolidated revenue increased 11.3% yoy to INR35,460 million in FY25 (FY24: INR31,848 million, FY23: INR26,550 million), driven by customer additions and the execution of new order book, growth registered across geographies as well as improving realisations. The realisations improved on account of the increasing proportion of the higher-realisation entailing EV portfolio in the revenue mix.

Strong EBITDA Generation: SBPFL's EBITDA has been growing consistently since FY20. In FY25, the consolidated EBITDA increased to INR9,668 million (FY24: INR9,021 million, FY23: INR6,752 million), mainly driven by healthy revenue growth and improving operating leverage. Ind-Ra expects the consolidated EBITDA to continue to increase over FY26-FY27 on the back of healthy volume traction in EV-related products, along with the ramping up of new assembly lines, resulting in improved cost efficiencies. The consolidated EBITDA margins remained resilient over FY19-FY25 ranging between 24% and 30% on the back of SBPFL's strong market leadership position, cost controls and products specialisation. In FY25, the consolidated EBITDA margins marginally weakened to 27.3% (FY24: 28.3%, FY23: 25.4%) as a result of adverse product mix. Ind-Ra expects the EBITDA margins to slightly moderate further to 24%-25% over FY26-FY27 as a result of acquisition of railway division from EKL, which carries slightly lower EBITDA margins. SBPFL generated a strong return on capital employed (ROCE) over FY18-FY24 (FY24: 25.3%) at the consolidated level. However, Ind-Ra believes the ROCE might have slightly weakened in FY25 as a result of qualified institutional placement (QIP) in September 2024 which is likely to revive back from FY26.

Improving Business Profile: SBPFL has a well-diversified revenue base, with differential gears accounting for 29% of the FY25 consolidated revenue, followed by differential assemblies (27%), micro-hybrid starter motors (21%) and conventional starter motors (9%). Moreover, on the power train front, SBPFL derives 36% of its consolidated revenue from battery electric vehicles (BEV), 34% from power-source neutral vehicles, 21% from hybrid/micro-hybrid vehicles and 9% from internal combustion engine vehicles. SBPFL has diversified its product portfolio over a period of time into more technological advanced products, which has helped it achieve a strong market position. The company has significantly expanded its presence in the BEV segment to 36% in FY25 from 1% in FY19, while reducing its dependence on internal combustion engine vehicles. The group faces a limited threat from the industry's shifting trend to EVs, as it derives significant portion of its revenue from gears and sub-assemblies that can be used in both internal combustion engines and EVs. Geographically, the company derived 29% of its FY25 revenue from India and the remaining from the overseas operations spread across North America (41%), Europe (24%), and Asia and others (6%). This limits the company's exposure to a downturn in any particular geography.

Improved Market Position: SBPFL is one of India's leading manufacturers of precision forged differential bevel gears and differential assemblies across various vehicle segments. As per the management, the company's market share in the global differential gears and starter motors stood at 8.8% at end-2024, (2023: 8.1%, 2022: 7.2%,) and 4.4% (4.2%, 4.1%), respectively. In the domestic market, the company holds 80%-90% market share in commercial vehicles and tractors, and 55%-60% in passenger vehicles. It also has strong relationships with major original equipment manufacturers in the domestic as well as international markets.

Robust Credit Profile; Moderate Capex Plans to Support: On a consolidated basis, SBPFL's credit metrics remained robust over FY19-FY25 on the back of its low debt levels, coupled with its strong operating profitability. The company turned net cash positive in FY25 (FY24 net adjusted leverage (net debt including lease liabilities/EBITDA): 0.1x; FY23: net cash) owing to significant net QIP and other equity proceeds of INR23,932 million. However, the interest coverage (EBITDA/interest expense) weakened slightly to 32.0x in FY25 (FY24: 35.0x, FY23: 39.9x) as a result of additional debt taken during the year, which was eventually paid off from the QIP proceeds

Ind-Ra expects the consolidated credit metrics to remain strong over the near-to-medium term owing to strong EBITDA generation, coupled with low debt levels. The company plans to incur a capex of INR3,000 million-4,000 million during FY26 and FY27, mainly towards the addition of capacity and debottlenecking activities with no plans of availing any additional debt. The company incurred a capex of about INR4,171 million during FY25 (FY24: INR3,195 million, FY23: INR3,352 million) primarily on the back of capacity addition in differential assembly and motor segment. The capex for the company generally remains order backed and is likely to be majorly funded through internal accruals.

High Customer Concentration: At FYE25, the top five customers accounted for about 58% of the consolidated revenue (FY24: 62%). Although the company has won new orders and has been adding new customers reducing concentration levels gradually, Ind-Ra believes the consolidated entity's dependence on a few key customers may remain high over the medium term. SBPFL's long-term relationships with majority of its customers also mitigates the risk to a certain extent. Also, there is a high concentration towards the passenger vehicle industry (roughly 71% of its FY25 revenue); however, SBPFL's geographically diversified revenue mitigates this risk to an extent.

Exposure to Forex Volatility: The company derived about 71% of its revenue from the international markets in FY25 and 8%-10% of its raw material requirements are imported (mainly from China), thereby exposing it to forex fluctuation risk. However, this is mitigated, to a certain extent, by the company's effective hedging policy. However, the management is aiming at reducing the group's dependence on imports by sourcing raw materials locally.

Liquidity

Adequate: The consolidated unencumbered cash and cash equivalents surged to INR21,201 million at FYE25 (FYE24: INR3,058 million, FYE23: INR2,975 million). The significant increase in cash balances was as a result of QIP proceeds of INR24,000 million during September 2024. SBPFL's average utilisation of its standalone fund-based limits was only about 18% over the 12 months ended March 2025. The free cash flow improved to INR2,195 million in FY25 as per Ind-Ra's calculation (FY24: INR1,970 million, FY23: INR800 million), mainly due to improved profitability as well as a reduction in the working capital cycle. The net working capital cycle improved to 87 days in FY25 (FY24: 95 days, FY23: 112 days) primarily on the back of a reduction in the inventory holding period to 60 days in FY25 (FY24: 69 days, FY23: 74 days). The management expects the working capital cycle to remain largely unchanged yoy in FY26. Ind-Ra expects the free cash flow to remain positive in FY26-FY27 owing to sustained EBITDA levels and the absence of any significant capex plans.

Ind-Ra believes SBPFL's liquidity position is likely to remain comfortable despite the purchase consideration of INR16,000 million for the acquisition of railways division from EKL and acquisition of a land parcel in Faridabad for INR1,100 million flowing out completely in FY26, along with the last tranche of EUR8 million to be paid for Novelic's acquisition during September 2025. There are no scheduled debt repayment obligations as all the term loans were duly repaid from the QIP proceeds during the year. Ind-Ra believes the company maintains sufficient liquidity to meet its cash outflows over the medium term and has adequate ability to raise new debt, if needed.

Rating Sensitivities

Positive: A substantial increase in the revenue and profitability, along with an ability to generate free cash flow on a consistent basis, while maintaining the current ROCE levels and credit metrics, all on a consolidated basis, could lead to a positive rating action.

Negative: A substantial decline in the profitability and/or deterioration in the business profile owing to a sustained underperformance of any of the operating divisions and/or a significant debt-funded capex/acquisitions resulting in the net adjusted leverage exceeding 1.0x, all on a consolidated and sustained basis, may lead to a negative rating action.

Any Other Information

Standalone Financials: In FY25, SBPFL recorded revenue of INR32,263 million (FY24: 28,918 million, FY23: INR24,477 million), EBITDA of INR9,041 million (INR8,244 million, INR6,169 million) and interest coverage of 32.4x (32.5x, 37.7x). The company turned net cash positive in FY25 (FY24 net leverage: 0.2x, FY23: 0.04x).

About the Company

SBPFL manufactures precision forged bevel gears, differential assemblies, starter motors and traction motors for automotive applications at its nine manufacturing plants, three in Gurugram, one each in Manesar, Pune, Chennai, the US, Mexico and China. The promoter holding was 28% at end-March 2025.

Key Financial Indicators

Particulars (Consolidated)	FY25	FY24
Revenue* (INR million)	35,460	31,848
EBITDA (INR million)	9,668	9,021
EBITDA margin (%)	27.3	28.3
Gross interest coverage (x)	32.0	35.0
Net adjusted leverage (x)	Net cash	0.1
Source: SBPFL, Ind-Ra		
*Excluding foreign exchange gains and other income		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook	
				23 February 2024	28 February 2023
Issuer rating	Long-term	-	-	WD	IND AA/Positive
Fund-based/non-fund-based limit	Long-term/Short-term	INR7,250	IND AA+/Stable/IND A1+	IND AA+/Stable/IND A1+	IND AA/Positive/IND A1+
Term loan	Long-term	INR2,000	IND AA+/Stable	IND AA+/Stable	IND AA/Positive

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based/non-fund-based limit	Low
Term loan	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

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