



SONA BLW PRECISION FORGINGS LIMITED



IPO NOTE

Issue highlights

- **Sona BLW Precision Forgings Limited ("Sona Comstar")** was incorporated on October 27, 1995. Sona Comstar is one of India's leading automotive technology companies, 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 across US, Europe, India and China, for both electrified and non-electrified powertrain segments.
- Sona Comstar is **among the top 10 players globally in the differential bevel gear market**. They are also among the top 10 global starter motor suppliers based on their exposure to the PV segment in calendar year 2020. They are gaining global market share across products to reach a share of approximately 5% for differential bevel gears, 3% for starter motors and 8.7% for Battery electric vehicle ("BEV") differential assemblies, in calendar year 2020.
- Sona Comstar has **9 manufacturing and assembly facilities** across India, China, Mexico and USA, of which 6 are located in India and they have **8 warehouses**, of which, 5 are located in India and 3 across USA, Germany, and Belgium.
- Company's global OEM customer portfolio includes a Global OEM of EVs, a North American OEM of PVs and CVs, Ampere Vehicles, an Indian OEM of PVs, CVs and EVs, **Ashok Leyland, CNH, Daimler, Escorts, Escorts Kubota, Geely, Jaguar Land Rover, John Deere, Mahindra and Mahindra, Mahindra Electric, Maruti Suzuki, Renault Nissan, Revolt Intellicorp, TAFE, Volvo Cars and Volvo Eicher**. They also serve selected leading Tier 1 automotive system suppliers such as **Carraro, Dana, Jing-Jin Electric, Linamar and Maschio**.

Brief Financial Details*

(₹ In Cr)

	As at Mar' 31,		
	2021(12)	2020(12)	2019(12)
Equity Share Capital~	573.0	47.2	27.7
Instrument entirely equity in nature	-	0.6	-
Reserves#	730.9	1,130.2	146.16
Net worth as stated	1,303.9	1,177.9	173.8
Long Term Borrowings	190.7	176.8	73.3
Short Term Borrowings	114.5	84.6	38.9
Revenue from Operations	1566.3	1,037.9	699.2
Revenue Growth (%)	50.91%	48.44%	-
EBITDA as stated	441.0	242.3	200.2
EBITDA (%) as stated	28.2%	26.7%	28.9%
Profit Before Tax	299.97	387.01	154.8
Net Profit for the period	215.2	360.3	173.2
Net Profit (%) as stated	13.74%	34.71%	24.77%
EPS (₹)	3.8	7.1	5.2
RoNW (%)	16.5%	30.6%	99.5%
Net Asset Value (₹)	22.8	23.1	5.2
Average ROE (%)	36.4%	35.2%	35.6%
ROCE (%)	34.8%	29.0%	40.3%

Source: RHP *Restated Consolidated, # Reserve includes Retained earnings, General Reserve, Securities Premium, Capital Redemption reserve, Foreign currency translation reserve, Equity instruments through other comprehensive income and Employee's stock options account. ~Increase in Equity Capital due to the Bonus issue and Conversion of CCPS.

Issue Details

Offer of Equity Shares aggregating upto ₹ 5,550 Cr

(Fresh Issue of Equity shares aggregating upto ₹ 300 Cr and Offer for sale of Equity shares aggregating upto ₹ 5,250 Cr)

Issue summary

Issue size: ₹ 5,250 Cr

No. of shares('000): 194,736 -190,721

Face value: ₹ 10

Price band : ₹ 285 - 291

Bid Lot: 51 Shares and in multiple thereof

Post Issue Implied Market Cap =

₹ 16,630 – 16,974 Cr

BRLMs: Kotak Mahindra Capital, Credit Suisse Securities, JM Financial, J.P.Morgan, Nomura Financial

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Monday, 14th Jun'2021

Issue closes on: Wednesday, 16th Jun'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	21-06-2021
Refunds/Unblocking ASBA Fund	22-06-2021
Credit of equity shares to DP A/c	23-06-2021
Trading commences	24-06-2021

Issue break-up

	No. of Shares	₹ In Cr	% of Issue
QIB	146,052,631 – 143,041,238	4,162.50	75%
NIB	29,210,526 – 28,608,247	832.50	15%
Retail	19,473,684 – 19,072,164	555.00	10%
Total	194,736,841 – 190,721,649	5,550.00	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue~	Post issue^
572,980,560	583,506,876	583,289,838

~@Lower price Band ^@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue^
Promoters & Promoter Gr	100.00%	67.30%
Public	-	32.70%
Total	100.00%	100.00%

^@ Upper Price Band

BACKGROUND

Company and Directors

The company was incorporated as “Sona Okegawa Precision Forgings Limited” on October 27, 1995. Sunjay Kapur, Sona Autocomp and Singapore Topco are the Promoters of the company.

Presently Sunjay Kapur does not directly hold any Equity Shares in the company, Sona Autocomp presently holds 193,208,904 Equity Shares, aggregating to 33.7% and, Singapore Topco holds 379,771,512 Equity Shares, aggregating to 66.2% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Sunjay Kapur is the Chairman and Non-Executive Director of the company. He has over 21 years of experience in the automotive industry. He also served as a director on the board of directors of various companies and was the managing director of Sona Koyo Steering Systems Ltd. (now JTEKT India Ltd.).

Vivek Vikram Singh is the Managing Director and Group Chief Executive Officer of the company. He has over 15 years of experience, including 6 years of experience in the automotive industry. He is *inter alia* responsible for overseeing the production of auto components and systems platform in electric vehicles and hybrids, capital allocation decisions, external shareholder management at the company. He joined the company on July 1, 2016.

Amit Dixit is the Nominee Director of the company. He has significant experience in various investments and investment opportunities in India and South Asia. He is a senior managing director, co-head of Asia acquisitions, and head of India for Blackstone Private Equity. He has been associated with various companies including Mphasis Ltd., Aadhar Housing Finance Ltd., EPL Ltd., Aakash Educational Services Ltd., IBS Software Pte. Ltd., among others. He was appointed as a Nominee Director on the Board with effect from July 5, 2019.

Ganesh Mani is the Nominee Director of the company. He is currently managing director with the private equity business group of the Blackstone Group in India. Since joining Blackstone in 2011, he has been involved in the execution of several investments at Blackstone Advisors India Pvt. Ltd. and in the evaluation of investment opportunities across sectors in South Asia. He was appointed as a Nominee Director on the Board with effect from July 5, 2019.

Jeff M. Overly is the Independent Director of the company. Prior to joining the company, he has worked with The Blackstone Group for approximately 10 years where he also served as the operating partner. He was appointed as an Independent Director on the Board with effect from February 12, 2021.

Prasan Abhaykumar Firodia is the Independent Director of the company. He has over 12 years of experience in the automotive industry. He is the managing director of Force Motors Limited. He was appointed as an Independent Director on the Board with effect from January 27, 2021.

Shradha Suri is an Independent Director of the company. She has over 20 years of experience in the automotive industry. She is the Managing Director of Subros Ltd. She was appointed as an Independent Director on the Board with effect from August 5, 2020.

Venkata Rama Subbu Behara (B V R Subbu) is an Independent Director of the company. He is an auto industry veteran who has earlier held positions in various companies. He was appointed as an Independent Director on the Board with effect from July 5, 2019.

Key Managerial Personnel

Rohit Nanda is the Group Chief Financial Officer of the company. He joined the Company on April 11, 2019.

Ajay Pratap Singh is the Vice President (Legal), Company Secretary and Compliance Officer of the company. He is responsible for leading the secretarial functions and corporate legal portfolio of the company. He joined the company on February 24, 2020.

Sat Mohan Gupta is the director and chief executive officer of Comstar Automotive. He is responsible for, among others, developing new products and achieving operational excellence in Comstar Automotive. He has over 35 years of experience in the auto industry. He joined Comstar Automotive in 1997.

Kiran Manohar Deshmukh is the Chief Technology Officer of the company. He has significant experience in automotive components manufacturing and has worked in the areas of, among others, manufacturing, process control and design. He is responsible for, among others, developing new technology partnerships and building competencies in manufacturing excellence in the company. He joined the company on July 1, 2019.

Vadapalli Vikram Verma is the chief executive officer of driveline division of the company. He has significant experience in the automotive industry. He is responsible for, among others, customer acquisitions and providing leadership for operational excellence in the company. He joined the company on April 26, 2007.

Awards and Accreditations

Year	Award	Presenter
2020	• Exceptional support during Challenging Times (Covid-19)	• Indian OEM of PVs, CVs and EVs
2019	• Quality Excellence Award • Superior performance in the field of Comprehensive Excellence	• Indian OEM of PVs, CVs and EVs • Maruti Suzuki
2018	• Drive Customer Centricity • Supplier Excellence Award- In Recognition of Partner Level Performance	• Dana • TMA (John Deere)

OBJECTS OF THE ISSUE

Objects	Amount
• Repayment/pre-payment, in full or part, of certain borrowings availed of by the company	241.12
• General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	Amount	No. of Shares
Fresh Issue (₹ 300 Cr)	₹ 300 Cr	Upto 10,526,316 [^] - 10,309,278 [~] Equity Shares
* Offer for sale by:		
Singapore VII Topco II Pte. Ltd – The Selling Shareholder	₹ 5,250 Cr	Upto 184,210,526 [^] - 180,412,371 [~] Equity

Shareholding Pattern:

Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter & Promoter Group					
- Sona Autocomp Holding Pvt Ltd	193,208,904	33.72%		193,208,904	33.12%
- Singapore VII Topco III Pte Ltd	379,771,512	66.28%	180,412,371	199,359,141	34.18%
- Rani Kapur - RK Family Trust	72	0.00%		72	0.00%
Total - promoter and Pro Gr	572,980,488	100.00%	180,412,371	392,568,117	67.30%
- Public - Others	72	0.00%		190,721,721	32.70%
Total - Public	72	0.00%		190,721,721	32.70%
Total Equity Share Capital	572,980,560	100.00%	180,412,371	583,289,838	100.00%

No. of shares offered are @ upper price band

BUSINESS OVERVIEW

Sona BLW Precision Forgings Limited (“Sona Comstar”) is one of India’s leading automotive technology companies, 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 across US, Europe, India and China, for both electrified and non-electrified powertrain segments.

According to the Ricardo Report, in calendar year 2020, Sona Comstar is among the top 10 players globally in the differential bevel gear market. They are also among the top 10 global starter motor suppliers based on their exposure to the PV segment. They have gaining global market share across products to reach a share of

approximately 5% for differential bevel gears, 3% for starter motors and 8.7% for Battery electric vehicle (“BEV”) differential assemblies, in calendar year 2020.

Sona Comstar has 9 manufacturing and assembly facilities across India, China, Mexico and USA, of which 6 are located in India, from where they supply their products to 6 out of the top 10 global PV OEMs, 3 out of the top 10 global CV OEMs and 7 out of the top 8 global tractor OEMs by volume.

They are a global supplier and they derived ₹1,116.21 crore representing 75% of their income from sale of goods with end-use in the overseas markets, including 36.1% (₹536.81 crore) in North America, 26.5% (₹395.05 crore) in Europe and 7.6% (₹112.96 crore) in China and 25% (₹372.73 crore) of their income was derived from sale of goods with end-use in India, for Fiscal 2021. They are also one of the two largest exporters of starter motors from India.

Sona Comstar is a technology and innovation driven company. With a strong focus on research and development (“R&D”), they develop mechanical and electrical hardware systems, components as well as base and application software solutions, to meet the evolving demands of their customers. They are one of a few companies globally, with the ability to design high power density EV systems handling high torque requirements with a lightweight design, while meeting stringent durability, performance and NVH specifications, enabling EV manufacturers to enhance the vehicle range, acceleration and the overall efficiency.

While BEV sales as a percentage of total global vehicle sales are 3.3% in calendar year 2020, ₹205.70 crore representing 13.8% of their income from sale of goods was derived from the BEV market for Fiscal 2021. Among the available propulsion technologies, BEV has been the fastest growing segment at a CAGR of approximately 46% between calendar years 2015 to 2020 and is expected to grow at a CAGR of approximately 36% between calendar years 2020 to 2025 with increased market penetration.

Sona Comstar has increased their sales to the EV market at a CAGR of 243.6% from ₹17.42 crore in Fiscal 2019 to ₹205.70 crore in Fiscal 2021. They currently supply differential assemblies, differential gears, EV Traction Motors to customers in US, China and India, for use in hybrid and battery electric passenger vehicles, hybrid and battery electric light commercial vehicles, electric 2-wheelers and electric 3-wheelers.

As at March 31, 2021, they had 3,143 employees, (comprising of 1,204 on-roll and 1,939 off-roll employees), of which 3,067 are employed in India and 76 are employed outside India.

They have 8 warehouses, of which, 5 are located in India and 3 across USA, Germany, and Belgium. The warehouses work as their delivery point to key customer locations help their customers manage their requirements in an efficient manner and enhances their engagement with them. These warehouses are owned by third parties and their storage space can be flexibly increased depending on the requirement.

The chart describes the products and their end-use application across various powertrains and vehicle Segment

Products	Our Product Offerings Across Vehicle and Powertrain Segments					Description
	Passenger Vehicles	Commercial Vehicles	Off-Highway Vehicles	Three-Wheelers	Two-Wheelers	
 Differential Assembly	BEV & Hybrid	BEV	BEV	BEV	NA	A mechanism including gears that transmits power to the wheels differently, allowing them to rotate at different speeds while executing a turn. Differential assembly is part of the drivetrain.
	ICE	ICE	ICE	ICE		
 Differential Gears	BEV & Hybrid	BEV	BEV	BEV	NA	Gear arrangement which goes into the differential assembly
	ICE	ICE	ICE	ICE		
 Starter Motors (Micro-hybrid and Conventional)	Hybrid	Hybrid	NA	NA	NA	Micro Hybrid- An electric device that apart from cranking the engine, automatically shuts the engine to reduce engine idle time
	ICE	ICE	No presence	No presence	No presence	Conventional- An electric device required to crank the engine and provide initial starting power to the engine
 BSG	Hybrid	Hybrid	NA	No presence	No presence	Synchronous or asynchronous electric machine, which provides torque to the powertrain in motor mode and produces electricity in generator mode
 EV Traction Motors (BLDC & PMSM) and Motor Control Units	BEV & Hybrid	No presence	No presence	BEV	BEV	Synchronous Motors powered by direct current (DC) electricity to drive the electric vehicles - PMSM for BEV & Hybrid EVs, BLDC for electric 2Ws & 3Ws, Motor Control Units regulate the power given to motors for providing the torque and speed to vehicle, and it also charges battery during braking

The breakdown of the income from sale of goods across powertrain:

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Sale of Goods (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Battery EV	205.7	13.8%	23.4	2.0%	17.4	1.3%
Micro Hybrid / Hybrid	397.5	26.7%	348.0	29.5%	232.5	17.0%
Power Source Neutral	512.6	34.4%	492.4	41.7%	641.5	47.0%
ICE Dependent	373.2	25.1%	316.7	26.8%	473.6	34.7%
Total for Sale of Goods	1,488.9	100.0%	1,180.4	100.0%	1,365.0	100.0%

With their product offerings spanning across all types of conventional and electrified powertrains, they are one of the few automotive technology manufacturers that are well-positioned to gain from high growth industry trends as well as various initiatives introduced by the GoI to facilitate the growth of the automotive industry in India, including the recently announced ₹57,042 crore production-linked incentive scheme, which is likely to increase exports resulting in increased demand for differential gears in India.

Some of the key high growth industry trends from which they expect to benefit are set forth below.

- BEVs are expected to grow at a CAGR of approximately 36% between calendar years 2020 to 2025 with increased market penetration, which will be positive for Sona Comstar as they supply EV differential assemblies, differential gears, BSG systems and EV traction motors into this market. BEV global vehicle production volume is expected to grow by 5 times in the next five years from 2.3 million units in calendar year 2020 to 11.2 million units in calendar year 2025. Further, revenue realization of various components is expected to change according to various degrees of electrification as stated in the Ricardo Report.

Revenue realisation analysis for various components as follow:

	ICE	ICE with Micro-Hybrid (Start-Stop)	ICE-Mild Hybrid	ICE-Full Hybrids	BEV (Battery Electric Vehicle)
Bevel Gears	100	= No change in design requirements of Bevel gear	= No change in design requirements of Bevel gear	=/+ Certain changes in design requirements of Bevel gear	+ Increased durability and NVH requirements
Differential Assembly	100	= No change in design requirements of differential assembly	= No change in design requirements of differential assembly	=/+ Certain changes in design requirements of differential assembly	+ Increased durability and NVH requirements
Starter Motor	100	+ Improved starter motor design to handle increased number of duty cycles	= No change in design requirements of starter motor	= No change in design requirements of starter motor	NA
BSG (Belt Starter Generator)	NA	Not Applicable (NA)	+ BSG to provide torque assist and other functionality	NA/+ May or may not have an engine with a BSG system	NA
Traction Motor	NA	Not Applicable (NA)	+/NA Depending on the topology there could be AN additional traction motor integrated in the TM or rear axle	++ Depending on the topology there could be one or more traction motor integrated in the transmission or the rear axle	++ Depending on the drive type there could a traction motor at front or rear axle or both axles

ICE = Internal Combustion Engine

Note: The components which are a part of the base ICE vehicle are depicted with 100 to indicate the starting point and subsequently a "+" indicates an increase in revenue realization and a "=" indicates that the revenue realization is not expected to change going forward. (Source: Ricardo Report)

- Demand for electric 2-wheelers is expected to grow at a CAGR of 72% to 74% between Fiscals 2021 to 2026 and the electric 3-wheeler segment is expected to grow at a CAGR of approximately 46% between calendar years 2021 to 2025 to reach 400,000 units in sales. Sona Comstar supply e-axles, BLDC motors and motor control units for use in the electric 2-wheeler and 3-wheeler segments.
- According to the Ricardo Report, 2030 targets for India indicate that 70% of all commercial PV, 30% of private PV, 40% of buses, 80% of 2-wheeler and 80% of 3-wheeler sales would be electric.
- Indian CV and PV sales are expected to increase 9% to 10% CAGR and 12% to 14% CAGR, respectively, over Fiscals 2021 to 2026, with growth of 38% and 23%, respectively in Fiscal 2022. This will be positive for their differential gears business as their estimated market share of the Indian CV and PV markets is approximately 80% to 90% and 55% to 60%, respectively.

- The mix of SUVs, CUVs, multi axle trucks and high powered EVs in the Indian and global PV and CV market is expected to increase leading to higher usage of differential gears per vehicle as these vehicles are AWD/4WD/multi-axle. Sona Comstar expects this trend to be positive for revenue growth of their differential gear business.

CUSTOMER BASE

Company's global OEM customer portfolio includes a Global OEM of EVs, a North American OEM of PVs and CVs, Ampere Vehicles, an Indian OEM of PVs, CVs and EVs, **Ashok Leyland, CNH, Daimler, Escorts, Escorts Kubota, Geely, Jaguar Land Rover, John Deere, Mahindra and Mahindra, Mahindra Electric, Maruti Suzuki, Renault Nissan, Revolt Intellicorp, TAFE, Volvo Cars and Volvo Eicher**. They also serve selected leading Tier 1 automotive system suppliers such as **Carraro, Dana, Jing-Jin Electric, Linamar and Maschio**.

They serves a broad range of customers both in the Indian and overseas markets. For Fiscal Year 2021, they derived 75% of their income from sale of goods with end-use in the overseas markets.

The breakdown of the income from sale of goods across geographic markets:

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total
North America	536.8	36.1%	473.1	40.1%	579.2	42.4%
Europe	395.1	26.5%	276.7	23.4%	248.0	18.2%
India	372.7	25.0%	323.0	27.4%	430.2	31.5%
China	113.0	7.6%	25.8	2.2%	26.5	1.9%
Others	71.4	4.8%	81.8	6.9%	81.2	5.9%
Total for Sale of Goods	1,488.9	100.0%	1,180.4	100.0%	1,365.0	100.0%

The income from sale of goods across the Top-10 customers as at March 31, 2021

Top 10 Customers	Year Ended March 31,					
	2021		2020		2019	
	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total
North American OEM of PVs and CVs	252.3	16.9%	276.2	23.4%	364.5	26.7%
European OEM of PVs and CVs	229.6	15.4%	237.4	20.1%	206.1	15.1%
Global OEM of EVs	195.1	13.1%	16.4	1.4%	2.2	0.2%
Global OEM of PVs, CVs & EVs	101.5	6.8%	28.1	6.5%	19.1	1.4%
Global Tier 1 Supplier for PVs, CVs, OHVs & EVs	83.4	5.6%	76.7	6.5%	83.8	6.1%
Indian OEM of PVs, CVs and EVs	73.0	4.9%	63.2	5.4%	98.4	7.2%
Global OEM of OHVs	72.7	4.9%	54.1	4.6%	66.8	4.9%
Indian OEM of PVs, CVs, OHVs & EVs	64.4	4.3%	58.8	5.0%	68.8	5.0%
North American Tier 1 Supplier for PVs & EVs	60.2	4.0%	95.4	8.1%	134.34	9.8%
Asian OEM of PVs and CVs	53.6	3.7%	47.2	3.9%	34.83	2.6%
Total for Top 10 Customers	1,185.9	79.6%	955.0	80.9%	1,078.3	79.0%
Total for Sale of Goods	1,488.9	100.0%	1,180.4	100.0%	1,365.0	100.0%

The income from sale of goods across the vehicle segments:

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total
Passenger Vehicle (PV)	1,019.0	68.4%	769.8	65.2%	846.0	62.0%
Commercial Vehicle (CV)	214.2	14.4%	213.8	18.1%	293.4	21.5%
Off Highway Vehicle (OHV)	254.4	17.1%	194.6	16.5%	223.5	16.4%
Others	1.4	0.1%	2.1	0.2%	2.2	0.1%
Total for Sale of Goods	1,488.9	100.0%	1,180.4	100.0%	1,365.0	100.0%

MANUFACTURING FACILITIES

The company has 9 manufacturing and assembly plants across India, China, Mexico and USA, of which 6 are located in India. Their facilities in India (Chennai), China, Mexico and USA manufacture conventional and micro-hybrid starter motors and BLDC traction motors and their plants in Gurugram, Manesar and Pune in India manufacture differential gears, differential assemblies and other gears. While their facilities in India are manufacturing plants, the facilities in US, Mexico and China operate as satellite final assembly plants. In India, their largest manufacturing facility is located in Chennai spanning across 43,992 sqm followed by facilities in Gurugram and Manesar with built-up areas of 19,587 sqm and 18,593 sqm, respectively. They also have 8 warehouses, of which, 5 are located in India and 3 across USA, Germany and Belgium. Their facilities have IATF, ISO, OHSAS and Q1 certifications.

The manufacturing and assembly plants, R&D centres, warehouses, tool and die shop and sales offices:



Details of Manufacturing and Assembly Plants

Location and plant type	Leased/ Owned	Annual Installed capacity (Mar' 31,2021)	Production (FY2021)	Capacity Utilization (Fiscal Year)			Manufacturing Processes at the location	Certifications
				2020	2019	2018		
Gurugram (manufacturing)	1 unit owned, 2 leased	28.70 million gears	21.60	75%	72%	91%	Forging, heat treatment and machining	IATF 16949 ISO 9001 ISO 14001 ISO 50001 OHSAS 18001
Manesar (assembly)	Leased	0.53 differential assemblies	0.39	93%	-	-	Case housing and FDG machining and final assembly	-
Pune (manufacturing)	Owned	9.33 million gears	6.07	65%	72%	89%	Forging, heat treatment and machining	IATF 16949 ISO 9001 OHSAS 18001
Chennai (manufacturing)	Owned	3.8 million starter motors	1.96	52%	39%	46%	Manufacture and assembly of kits, starter motors and traction motors	IATF 16949 ISO 14001 ISO 50001 Q1 Certification OHSAS 18001
Hangzhou (assembly)	Leased	1 million starter motors	0.13	13%	7%	7%	Starter motor assembly	IATF 16949 ISO 14001 ISO 45001
Mexico (assembly)	Leased	1 million starter motors	0.33	33%	26%	2%	Starter motor assembly	IATF 16949 ISO 14001 ISO 45001 Q1 Endorsed
Tecumseh (assembly)	Owned	1 million starter motors	0.20	20%	23%	24%	Starter motor assembly	IATF 16949 ISO 14001 ISO 45001 Q1 Certification

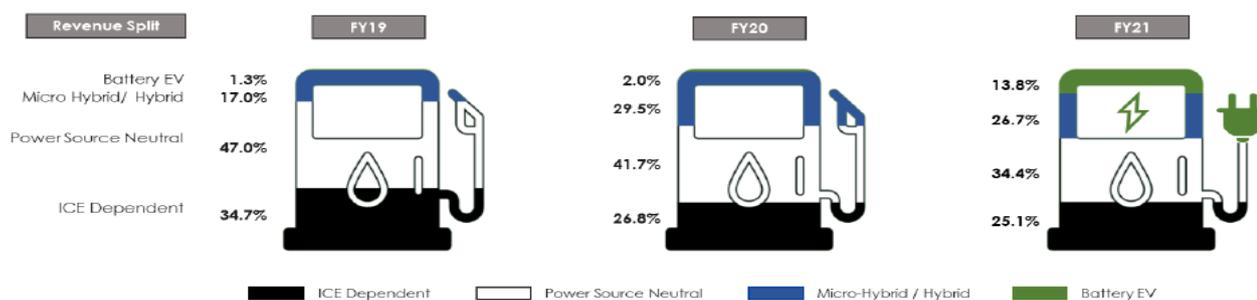
CAPITAL EXPENDITURE

Company's historical capital expenditures were, and they expect their future capital expenditures to be, primarily for purchase of plant and equipment. In Fiscals 2019, 2020 and 2021, their capital expenditures (comprising of payments for acquisition of property, plant and equipment, intangibles and capital work in progress including capital advances) were ₹116.39 crore ₹224.06 crore and ₹218.94 crore, respectively.

COMPETITIVE STRENGTHS

- **One of the leading manufacturers and suppliers to global EV markets**

While BEV sales as a percentage of total global vehicle sales are 3.3% in calendar year 2020, 13.8% of their income from sale of goods was derived from the BEV market for Fiscal 2021. For Fiscal 2021, Rs.1,115.78 crore representing approximately 74.9% of their income from sale of goods was derived from sale of goods to BEV, hybrid/ micro-hybrid and power source neutral products.



Among the available propulsion technologies, BEV has been the fastest growing at CAGR of approximately 46% between calendar years 2015 to 2020. The momentum for EVs is being driven by the global recognition of the need for clean mobility, norms, targets and incentives provided by several governments to promote EV adoption, improving affordability and performance of EVs, rapid expansion of EV charging infrastructure and OEM plans for electrification.

Sona Comstar is supplying differential gears in the global EV market since April 2016 and differential assemblies since 2018. They also design and manufacture traction motors and motor control units for electric vehicles, with PMSM motors for EV and hybrid PVs and BLDC motors for electric two-wheelers and electric three-wheelers. They are one of the leading suppliers of BLDC motors in India for the two-wheeler and three-wheeler EV market.

Further, they are developing a 48V BSG motor for hybrid PVs, for which they have successfully completed vehicle level demonstration for selected global OEMs. They are among a limited number of players who are well placed to combine their motor and driveline capabilities to offer a compelling value proposition to their EV customer base. This complexity presents a unique opportunity in electrification for companies such as the company, who are committed to building capabilities and products by bringing different elements (mechanical, electrical and software) of the puzzle together under one roof.

They are committed to achieving better and stronger ESG norms as a company, and their focus on developing EV specific products to facilitate the growing electrification trend enables them to implement their ESG related commitment.

Their high power density EV systems and ability to engage with customers from concept to testing, has resulted in awarding them 15 development programs for EV systems and components by 10 different customers as at March 31, 2021, of which active production process has commenced for 8 programs and regular production is yet to commence for 7 programs.

- **One of the leading global companies and gaining market share, diversified across key automotive geographies, products, vehicle segments and customers**

Company's capabilities in precision-forging technology has enabled them to become one of the top ten players globally in the differential bevel gear market in calendar year 2020 on the basis of overall volumes of differential bevel gears supplied to PVs, CVs and tractors.

They are one of the 2 largest exporters of starter motors from India and expected to be among the top 10 global starter motor suppliers in calendar year 2020 based on their exposure to the PV segment. They have increased their global market share of differential gears and starter motors to 5% and 3%, respectively in calendar year 2020 and

their global market share of BEV differential assemblies was 8.7% in calendar year 2020. Further, they are the largest manufacturer of differential gears for PV, CV and tractor OEMs in India, with an estimated market share of approximately 55% to 60%, 80% to 90% and 75% to 85%, respectively.

The company aims to mitigate the impact of cyclical downturns in the automotive industry through their geographic diversification, together with distributed presence in PV, CV and OHV segments. They are not dependent on a single product, vehicle segment, customer or geography.

The breakdown of their income from sale of goods across their systems and components:

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total	Sale of Goods (₹ in Cr)	% to Total
Differential Assembly	261.4	17.6%	65.8	5.6%	61.1	4.5%
Differential Gears	414.4	27.8%	411.1	34.8%	565.8	41.5%
Micro Hybrid Starter Motors	397.5	26.7%	348.0	29.5%	232.5	17.0%
Conventional Starter Motors	354.1	23.8%	305.5	25.9%	461.3	33.8%
Other Gears	41.9	2.8%	38.7	3.3%	31.8	2.3%
Others	19.6	1.3%	11.3	0.9%	12.5	0.9%
Total	1,488.9	100.0%	1,180.4	100.0%	1,365.0	100.0%

- **Strong research and development and technological capabilities in both hardware and software development**

Sona Comstar has developed strong in-house capabilities to deliver evolving green technologies for future mobility, with an aggregate expenditure on R&D of ₹156.35 crore during Fiscal Years 2019, 2020 and 2021. Their R&D expenditure amounted to ₹24.40 crore, ₹40.45 crore and ₹91.50 crore during Fiscal Years 2019, 2020 and 2021, respectively and constituted 1.7%, 3.3% and 5.8% as a percentage of their revenue from operations. In comparison, average spends of the top 10 listed auto component players was 0.9% over Fiscal 2018 to Fiscal 2020.

A critical component of all electrified systems is embedded software. Of the R&D expenditure incurred during the Fiscal 2021, they invested ₹57.14 crore towards building software standards, systems, and solutions. They develop the base software implementing global standards such as ASPICE, MISRA, AUTOSAR, and ISO26262. Their highly efficient Field Orientated Control (“FOC”) algorithm ensures that the motor/ generator consistently operates in an efficient band, leading to significant improvements in fuel efficiency and reduction in CO₂ emissions in hybrids, and higher range in EVs. Further, functional safety (“FuSa”) is a critical requirement for all electrified systems, and Cybersecurity, OBD, and over the air updates (“OTA”), have become essential.

- **Strong business development with customer centric approach**

As at March 31, 2021, they have been awarded 58 programs from 27 customers across their product portfolio, from customers in India and overseas, where the start of production is either during Fiscal Year 2021 or a period subsequent to Fiscal Year 2021. They have long-standing relationships of 15 years and more with 13 of their top 20 customers. They engage closely with their customers from concept to delivery and aim to have all their systems and components are industry leading in their category.

- **Consistent financial performance with industry leading metrics**

According to the CRISIL Report, as compared to the publicly listed top 10 auto-component manufacturers in India by market capitalization, Sona Comstar is the highest in terms of operating EBITDA margin, PAT margin, ROCE and ROE, and one of the top ten auto-component manufacturers in India in terms of operating EBITDA and profit before tax in Fiscal Year 2020. Their total operating income has grown at a CAGR of 10.9% from Fiscal 2016 to 2020 as compared to the average CAGR of 8.1% for the top 10 listed auto-component manufacturers in India by market capitalization, in the same period.

They have made substantial investments in their R&D and in building production capacities for future growth. In Fiscal Years 2019, 2020 and 2021, their capital expenditure (comprising of payments for acquisition of property, plant and equipment, intangibles and capital work in progress including capital advances) was ₹116.39 crore, ₹224.06 crore and ₹218.94 crore, respectively. As at March 31, 2021, they had a strong balance sheet with equity capital (including instruments entirely equity in nature) of ₹572.98 crore and other equity of ₹730.92 crore. In addition, their cash flows from their operating activities (after tax) were ₹268.94 crore, ₹309.24 crore and ₹142.73 crore in Fiscal Years 2019, 2020 and 2021 respectively.

Despite the overall slowdown in the global automotive sector in Fiscal Year 2020 and the impact of the COVID-19 pandemic, they were able to maintain their EBITDA margins at 28.9%, 26.7% and 28.2% for Fiscal Years 2019, 2020 and 2021.

- **Highly experienced board of directors and management team**

Sona Comstar is led by a highly experienced board of directors, and a professional and experienced management team with extensive experience in the automotive industry and a proven track record of performance. Sunjay Kapur, the Chairman on the Board of the company, has over 21 years of experience in the automotive industry. He has extensive expertise in the automobile industry, which provides their leadership team with the vision to steer the long-term strategic direction of their business. They are further supported by an experienced board of directors with diversified expertise, which actively contributes to and participates in their strategy. He is joined on the board by Amit Dixit, senior managing director and co-head of Asia acquisitions, and head of India for Blackstone Private Equity and Ganesh Mani, managing director with the private equity business group of the Blackstone Group in India.

The company also have strong oversight from the Independent Directors on their board. A large number of their senior management personnel have worked with them for a significant period of time, resulting in effective operational coordination and continuity of business strategies. They have led the organization through acquisitions, development of new systems and components and pivoting the business to EV markets in the last 5 years. The highly experienced and professional management team provides them a key competitive advantage.

Furthermore, their shareholders include **Singapore VII Topco III Pte. Ltd., which is an affiliate of funds managed and/or advised by affiliates of The Blackstone Group Inc. (collectively, "Blackstone")**. Blackstone is a leading global investment firm and its asset management businesses include investment vehicles focused on real estate, private equity, public debt and equity, growth equity, opportunistic, non-investment grade credit, real assets and secondary funds, all on a global basis. Through its different businesses, Blackstone had total assets under management of over US\$ 649 billion as of March 31, 2021.

KEY BUSINESS STRATEGIES

- **"Electrification" – Capturing market opportunity in the growing EV space**

The global trend towards electrification of vehicles continues to expand. Among the available propulsion technologies, BEV has been the fastest growing at CAGR of approximately 46% between calendar years 2015 to 2020 and is expected to experience increased market penetration growing at a CAGR of approximately 36% between calendar year 2020 to 2025. As part of their growth strategy, they plan to increase their market share in both the Indian and overseas markets by catering specifically to EV OEMs, across 3 product groups as follow:

- **Differential assemblies and differential gears:**

An electric drivetrain is expected to be the fastest growing segment of the entire automotive supply chain and will grow approximately 4 times from US\$ 14 billion in 2018 to US\$ 56 billion in 2025 globally. Anticipating this market shift to electric mobility, they have developed their differential assemblies and differential gears with core design features that meet the demands of increasing vehicle electrification such as high power density, improved fuel efficiency and reduced weight. Sona Comstar's global market share of BEV differential assemblies in calendar year 2020 was 8.7%. These efforts have led to new business awards and further position them to compete in the global marketplace.

- **48V BSG motor:**

OEMs and suppliers are competing to develop and market new and alternative technologies that can meet future Corporate Average Fuel Efficiency ("CAFE") norms, leading to a growth in the hybrid vehicle market. In China, the share of mild hybrids is expected to grow from an insignificant share to approximately 25% in calendar year 2025. They are responding, in part, to such shift in market demand, through the development of their 48V BSG motor for hybrid PVs with features that enable fuel savings as well as reduction in CO2 emissions which will help to meet the CAFE norms. The company has successfully completed vehicle level demonstration of the 48V BSG system to selected global OEMs, and it is currently undergoing rigorous testing in compliance with international specifications. They aim to remain at the forefront of providing technologically advanced hybridization solutions through expanding their customer base for and increasing the sales of their BSG hybrid motors globally.

- **EV traction motors (BLDC and PMSM) and motor control units:**

With the growing market shift towards electrification of vehicles, the demand for hybrid and battery electric PVs, electric 2-wheelers and electric 3-wheelers is growing rapidly in India as well as globally. Since

Sona Comstar design and manufacture traction motors and motor control units for electric vehicles, with PMSM motors for EV and hybrid PVs and BLDC motors for electric two-wheelers and electric three-wheelers, they are well-positioned to benefit from the expected growth in the Indian EV market across all vehicle categories. As part of their growth strategy to establish market leadership in the Indian EV segment, they aim to further increase their customer penetration and acquire new customers for their traction motors and controllers.

- **Increasing market share globally**

- **Achieving significant global share from existing systems and components:**

Sona Comstar has increased their global market share of differential gears and starter motors to 5% and 3%, respectively in calendar year 2020 from 4.5% and 2.5%, respectively in calendar year 2019 and their global market share of BEV differential assemblies was 8.7% in calendar year 2020. As part of their strategy, they intend to penetrate the European market for supplying differential assemblies and differential gears, where they currently have limited market share for their driveline products. They also plan to expand their presence in China for supply of their micro-hybrid starter motors for PVs and LCVs as well as their 48V BSG systems for hybrid PVs, as they expect to benefit from China's growing position as a leading market for EV manufacturers.

As part of their growth strategy, they set-up an assembly plant in China in 2015 and Mexico in 2017, with an aim to capture higher market share in the Chinese and North American markets.

- **Benefiting from the industry trend towards multi-axle vehicle drives in India:**

The automotive industry, in India, as well as globally, is experiencing a growing market preference for multiple axle vehicles, in PVs, CVs as well as tractors according to the CRISIL Report. A gradual shift in demand towards four-wheel-drive vehicles, particularly in the utility vehicle segment, will likely result in higher per-vehicle gear content. The company expects this trend towards preference for multi-axle vehicles to significantly increase the demand for their differential gears and aim to achieve their growth objectives by capitalizing on this shift in market preference for multiple axle vehicles.

- **Benefiting from integrated powertrain systems in EVs:**

Sona Comstar is among the limited number of players who are well placed to combine their motor and driveline capabilities to offer a compelling value proposition to their EV customer base. Integrated drive units have 3 key components namely, differential assembly, high voltage traction motors and high voltage inverters. Since they already manufacture electric drive motors and inverters for electric 2-wheelers and hybrid PVs, as well as differential assemblies for battery electric passenger vehicles, they are in a unique position to integrate the 3 key constituents of the electric powertrain into a single matched unit, offering an efficient and compact solution to EV OEMs.

- **Continue to focus on R&D to develop new and innovative systems and components**

With the advent of electrification, the vehicle level bill of materials will be different from the current ICE vehicle and accordingly, revenue realization of various components such as differential bevel gears, differential assembly, starter motors, BSG and traction motors is expected to undergo a paradigm shift. The company aim to capture the growth trend in revenue realization per component with increasing electrification by continuously investing in R&D to develop and deliver new and innovative systems and components. With their customers continuously focusing on weight reduction in EVs to enhance the range, augment the vehicle's acceleration and improve overall efficiency, they have been developing solutions and alternatives for improving the power density and light-weighting of their differential assemblies and EV Traction Motors (BLDC and PMSM) and motor control units through their R&D efforts.

Although the core of their strategy is to continue to achieve growth organically through investment in their technological capabilities, business development skills and customer relationships, they continue to evaluate inorganic growth opportunities such as acquisitions and strategic alliances that may provide them with complementary technologies that have a similar financial profile.

COMPETITION

The trend towards advanced electronic integration and electrification has led to an increase in the amount of competition they face from technology focused new market entrants. In addition, a number of their major OEM customers manufacture for their own use and for others, products that compete with company's systems and components. Other current OEM customers could elect to manufacture products to meet their own requirements or to compete with the company.

The List of Product-wise principal competitors:

Product	Competitors
Differential Assembly	Borg Warner, JTEKT Corp, Dana, American Axle, GKN and Hyundai WIA Corporation
Differential Bevel Gears	American Axle, Showa Corp, Musashi Seimitsu Industries, Meritor and GKN
Starter Motors	Denso, Borg Warner, SEG Automotive, Hitachi and Valeo
BSG	Valeo, SEG Automotive, Continental, Hyundai and Mobis
High-Voltage Traction Motors	Bosch, Valeo-Siemens, GKN, Schaeffler, LG, Hitachi, Borg Warner and ZF
BLDC Motors	Lucas TVS, Virya Mobility, EMF Innovations and Compagauto (Indian competitors only)

COMPARISON WITH LISTED INDUSTRY PEERS*

Name of the Company	Face Value	Closing Price on June '11, 2021 (₹)	Total Revenue for Fiscal 2020/2021 (₹ Cr)	EPS (Basic)	NAV	P/E	RoNW (%)
Sona BLW Precision Ltd	10	[•]	1,566.3	3.76	22.75	[•]	16.5%
Listed Peers							
Motherson Sumi Systems Ltd	1	237.30	60,195.4	3.29	52.52	72.13	9.5%
Sundaram-Clayton Ltd	5	3,566.90	20,298.7	159.98	2,304.91	22.30	12.7%
Varroc Engineering Ltd	1	408.50	11,121.9	0.01	224.72	40,850.00	0.1%
Bosch Ltd	10	15,108.55	9,716.2	163.40	3,327.13	92.46	4.9%
Bharat Forge Ltd	2	666.65	8,055.8	7.51	112.80	88.77	6.7%
Mahindra CIE Automotive Ltd	10	196.15	6,050.1	2.80	129.49	70.05	2.2%
Endurance Technologies Ltd	10	1,492.90	6,547.0	36.95	253.24	34.99	14.6%
Minda Industries Ltd	2	590.70	5,465.1	5.91	80.03	40.40	8.9%
Sundram Fasteners Ltd	1	785.80	3,644.3	17.1	112.23	99.95	15.4%
WABCO India Ltd	5	6,881.30	1,863.5	54.73	1,052.53	45.95	5.2%

Source: RHP;

*The financial statements of the companies for the year ended March 31, 2021 in case of Sona BLW Precision Forgings Ltd, Sundaram Clayton Ltd, Bosch Limited, Endurance Technologies Ltd, WABCO India Ltd, Motherson Sumi Systems Ltd and Sundram Fasteners Ltd, for the year ended December 31, 2020 for Mahindra CIE Automotive Ltd and for the year ended March 31, 2020 for the other companies.

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