

06th March 2025

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Q3FY25 Result Highlights

- **Weak performance due to weak macro conditions** – The company reported a disappointing performance in revenue, with a 5% YoY growth but a 3% QoQ decline to ₹14.4bn. This was led by subdued demand in both domestic and export markets. While domestic revenue growth aligned with the broader industry growth of approximately 3.5% YoY, export revenues saw a 7% YoY increase, driven by wind energy dispatches and forex gains from the rupee's depreciation. The domestic-to-export revenue mix remained at 70%: 30% for the quarter. Wind energy contributed 5-6% to the company's consolidated revenues.
- **Input cost savings were offset by higher other expenses** – The company reported stable margins of 15.8%, up 108bps YoY but down 67bps QoQ, as lower raw material costs were offset by higher expenses, including an unfavorable product mix and increased power costs. Also, PAT remained flat at ₹1.3bn for the quarter
- **Industry** – The domestic industry showed moderate performance, while exports performed well in 3QFY25. Favorable currency movements, including rupee depreciation against the Euro and USD, boosted results. The CV sector is seeing some pickup, and the domestic market is expected to grow 2-3% in FY25. PV inventory has decreased, and tractor demand has slightly improved, likely continuing into Q4. The domestic industry is projected to grow 5-6%, while export markets are expected to remain flat in CY25.
- **EV projects** – The company has Capacity in place, with new product development and testing underway. President Trump's backlash on green subsidies has caused a delay in EV orders, expected to pick up in 4QFY25. Exports are projected to range between US\$180-200 million in FY25, with a 15% growth in FY26. The Company has no plans to enter electronics, such as MCUs, in the future.
- **New Product Development** – SFL plans to outpace market growth through increased wallet share, premiumization, and new product development, with significant financial impact expected in 2HFY26. Current capacity utilization is at 60-65%, but new capacities will begin contributing revenue from CY25 and CY26.
- **Capex and Guidance** – The company has incurred the Capex of ₹3bn completed in 9MFY25 which led to an upturn in borrowings and in turn increasing finance cost for the quarter. The company has guided Ebitda margins to be in the range of 17-18% for FY26.

Important Statistics

Nifty	22.337
Sensex	73,730
MCAP (₹ bn)	193.11
52week H/L (₹)	1506/904
Shares o/s (mn)	210.1
BSE Code	500403
NSE Code	SUNDRMFAST
Bloomberg Code	SF:IN

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Shareholding Pattern		Dec'24 (%)
Promoters		46.95
FIIIs		13.03
DIIs		20.82
Public		19.20

(₹ mn)

Particulars	FY21	FY22	FY22	FY24
Revenue	36,443	49,021	56,628	56,663
EBITDA	6,641	8,014	8,535	8,867
<i>EBITDA Margin(%)</i>	<i>18.2</i>	<i>16.3</i>	<i>15.1</i>	<i>15.6</i>
Net Profit	3,592	4,567	4,947	5,217
EPS (₹)	17.1	21.7	23.5	24.8
DPS (₹)	4.7	6.5	8.6	10.0
RoE (%)	15.2	17.3	16.4	15.2
RoCE (%)	12.3	14.3	14.2	18.2
P/E (x)	46.8	42.4	39.1	37.0
EV/EBITDA (x)	26.3	24.4	24.8	26.6
P/BV (x)	7.1	7.2	6.8	6.7

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SFL	7.6	49.0	121.6
Nifty 50	22.4	46.1	91.9
Sensex	18.9	43.9	89.2

Source: Company, Way2Wealth

View

SFL's reported weak Q3FY25 performance led by slowdown in both domestic and export market along with pushback in the EV orders. Nevertheless, SFL plans to introduce new components and attract new customers to outpace industry growth. New capacities are already planned, with deliveries set to begin at 2HCY25, including expansions to boost the wind energy business. Export and non-automotive segments remain the key strategy areas in the near to medium term for the company to de-risk business from cyclicality. The focus in the near to medium term is to improve market share, aided by capacity expansion along with localization of customers requirement enabling increase in content per vehicle both in the domestic and export market especially wind energy segment. **Hence, we recommend it as an ACCUMULATE stock trading at P/ E 24.7x FY26E EPS of ₹46.9.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	14,411	13,673	5.4	14,860.4	(3.0)	44,248	41,998	5.4
Cost of Matl	5,936	5,613	5.8	6,257	(5.1)	18,356	17,819	3.0
Inventories Changes	(330)	164	(300.6)	(564)	(41.5)	(908)	(238)	280.8
Employee Exps	1,391	1,391	0.0	1,450	(4.1)	4,240	4,154	2.1
Other Exps	5,138	4,492	14.4	5,271	(2.5)	15,365	13,680	12.3
EBITDA	2,276.4	2,012.6	13.1	2,446	(6.9)	7,194.2	6,583.7	9.3
EBITDA Margin (%)	15.8	14.7	108	16.5	(67)	16.3	15.7	58
Other Income	29.2	311.2	(90.6)	130	(77.6)	211	429	(50.8)
Depreciation	562.6	536.6	4.8	557	1.0	1,658	1,600	3.6
Finance Cost	83.6	68.8	21.5	87	(4.2)	240	239	0.5
PBT	1,659.4	1,718.4	(3.4)	1,932	(14.1)	5,508	5,174	6.4
Tax	352.1	424.1	(17.0)	494	(28.7)	1,335	1,262	5.8
PAT	1,307	1,294	1.0	1,438	(9.1)	4,173	3,912	6.7
EPS (₹)	6.2	6.2	1.0	7	(9.1)	19.9	18.6	6.7

As % of Sales	Q3FY25	Q3FY24	YoY(BPS)	Q2FY25	QoQ(BPS)	9MFY25	9MFY24	YoY(BPS)
Raw Matl Cost	38.9	42.3	(335)	38.3	59	39.4	41.9	(243)
Gross Margin	61.1	57.7	335	61.7	(59)	60.6	58.1	243
Employee Exps	9.7	10.2	(52)	9.8	(11)	9.6	9.9	(31)
Other Exps	35.7	32.9	280	35.5	18	34.7	32.6	215

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	49,021	56,628	56,663	59,869	66,103	74,593
EBITDA	8,014	8,535	8,867	9,861	11,122	13,058
EBITDA Margin	16.3%	15.1%	15.6%	16.5%	16.8%	17.5%
Net Income	4,567	4,947	5,217	5,740	6,653	8,113
EPS	21.7	23.5	24.8	27.8	32.3	38.6
ROE	17.3	16.4	16.2	15.8	16.3	17.0
PE	42.4	39.1	37.0	33.1	28.4	23.8
EV/EBITDA	24.4	24.8	26.6	20.4	18.1	15.4
P/B	7.2	6.8	6.7	5.0	4.4	3.9

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement: SUNDRAM FASTENERS LTD. as on 5th March 2025

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Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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