

07<sup>th</sup> August 2025

Close\* – ₹959/-

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## Q1FY26 Result Highlights

- **Weak Performance on Consolidated Revenue:** SFL posted a modest 2% YoY growth in consolidated revenues to ₹15.3 bn in Q1FY26, with flat sequential performance. Domestic revenues rose 9% YoY, outperforming industry trends, supported by a favorable product mix—higher volumes from SUVs, high-HP tractors, and multi-axle CVs. However, exports declined 10% YoY due to persistent weak demand.
- **Demand Uncertainty and near-term headwinds:** While SFL is focused on adding new components and customers to outperform industry growth, most new capacity additions— including for the wind energy segment—are expected to commence deliveries only from 2HCY25. In the interim, subdued demand for CVs and PVs across domestic and export markets, along with delayed EV shipments to the US amid anticipated policy shifts, has weighed on the earnings outlook for FY26E.

## Conference Call Takeaways:

### Guidance

- Management has guided for capex of ~₹300crs in FY26.
- Full-year growth is expected at 8–9%, contingent on export recovery.
- GM's EV orders are projected to reach full production run-rate in 1–1.5 years.
- Renewable energy usage is targeted to rise to 55%+ (vs. 51–52% currently).

### Margins

- EBITDA margin improved to 17.5% in Q1FY26 (vs. 17% YoY and 15.6% QoQ), aided by lower raw material prices, optimized procurement, reduced maintenance and freight costs, higher renewable energy use, and a better product mix.
- Gross margins have reverted to ~60%, with further 1% expansion possible through efficiency gains and export revival. However, returning to historical 19–19.5% margin levels may be difficult.

### Material Costs

- Steel prices have stabilized at ~₹70,000/ton, down from peaks of ₹85,000–90,000, though still above historical ₹45,000–50,000 levels.
- Favorable raw material trends continue to support margins, especially in the aftermarket segment.

### Orders & Backlog

- Stellantis EV orders are delayed by one quarter; production now expected by year-end.
- GM's EV program is on track, albeit at lower volumes than initially guided, with full ramp-up expected in 12–18 months.
- Customer feedback on tariff reimbursement has been positive, though full coverage isn't confirmed.

### Capex & Capital Allocation

- FY26 capex is pegged at ₹300crs, with ~25% allocated for replacements and the rest for targeted expansion (wind energy phase 3: ₹75+ crs).

## Important Statistics

<b>Nifty</b>	24,574
<b>Sensex</b>	80,544
<b>Close* (₹)</b>	959
<b>MCAP (₹ bn)</b>	205.51
<b>52week H/L (₹)</b>	1,498/831
<b>Shares o/s (mn)</b>	210.1
<b>BSE Code</b>	500403
<b>NSE Code</b>	SUNDRMFAST
<b>Bloomberg Code</b>	SF:IN

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Shareholding Pattern	Jun'25 (%)
<b>Promoters</b>	46.95
<b>DII's</b>	22.67
<b>FII's</b>	11.01
<b>Public &amp; Other</b>	19.28

## Financial Snapshot

	(₹ mn)				
Particulars	2023	2024	2025	2026E	2027E
Revenue	56,628	56,663	59,554	64,013	70,544
EBITDA	8,535	8,867	9,441	10,575	11,890
EBITDA Margin	15.1%	15.6%	15.9%	16.5%	16.9%
PAT	4,947	5,217	5,417.5	6,328.7	7,237
PAT Margin	8.7%	9.2%	9.1%	9.9%	10.3%
EPS	23.5	24.8	25.8	30.1	34.7
ROE	16	15	14.9	15.5	15.8
PE	40.6	38.5	37.0	31.7	27.5

Source: Company, Way2Wealth

## Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
<b>SFL</b>	<b>(15.0)</b>	<b>36.6</b>	<b>213.9</b>
<b>Nifty 50</b>	11.6	56.3	162.9
<b>Sensex</b>	11.9	54.2	154.4

Source: Company, Way2Wealth

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## Macro & Supply Chain

- Demand from North America remains uncertain due to policy confusion (emissions, tariffs).
- Europe has improved over the previous years.
- GM's earlier supply chain issues have been resolved.
- The company remains flexible to serve ICE, hybrid, and EV platforms.

## Pricing

- No tariff burden borne by the company in Q1; costs passed to customers, although not yet contractually assured.
- Steel price normalization has supported overall pricing stability.

## Product Development

- Stellantis EV programs delayed to year-end.
- GM EV ramp-up continues steadily.
- Company is engaged in early-stage EV platform development in India, while also supporting traditional ICE and hybrid programs.

## View

SFL's reported weak Q1FY26 performance led by slowdown in both domestic and export markets along with a pushback in the EV orders. Domestic CV and PV industry growth is expected to remain modest at 3–5% in FY26, dampening SFL's domestic outlook. Additionally, the scale-up of US EV order dispatches is likely to be slower than earlier anticipated. **Hence, we recommend it as *HOLD* stock trading at P/E 27.5x FY27E EPS of ₹34.7.**

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**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY24	YoY (%)
<b>Revenue</b>	<b>15,334</b>	<b>14,977</b>	<b>2.4</b>	<b>15,306</b>	<b>0.2</b>	<b>59,554</b>	<b>56,663</b>	<b>5.1</b>
Cost of Matl	6,357	6,164	3.1	6,294	1.0	24,651	23,722	3.9
Inventories Changes	(292)	(14)	1,987.9	(208)	40.8	(1,115)	(153)	627.4
Employee Exps	1,433	1,400	2.4	1,421	0.8	5,661	5,537	2.2
Other Exps	5,366	4,956	8.3	5,551	(3.3)	20,916	18,691	11.9
<b>EBITDA</b>	<b>2,470.7</b>	<b>2,471.6</b>	<b>(0.0)</b>	<b>2,247.1</b>	<b>10.0</b>	<b>9,441.4</b>	<b>8,867.0</b>	<b>6.5</b>
<b>EBITDA Margin (%)</b>	<b>16.1</b>	<b>16.5</b>	<b>(39) bps</b>	<b>14.7</b>	<b>143bps</b>	<b>15.9</b>	<b>15.6</b>	<b>20bps</b>
Other Income	198	51.8	282.2	71.9	175.4	283	542	(47.7)
Depreciation	586	538.0	9.0	581.2	0.9	2,239	2,133	5.0
Finance Cost	91	69.3	31.3	95.3	(4.5)	336	320	4.9
PBT	1,991	1,916.1	3.9	1,642.5	21.2	7,150	6,955	2.8
Tax	512	489.2	4.6	397.6	28.7	1,733	1,699	2.0
<b>PAT</b>	<b>1,479</b>	<b>1,427</b>	<b>3.7</b>	<b>1,245</b>	<b>18.8</b>	<b>5,417</b>	<b>5,256</b>	<b>3.1</b>
EPS (₹)	7.0	6.8	3.7	6	18.8	25.8	25.0	3.1

As % of Sales	Q1FY26	Q1FY25	YoY (BPS)	Q4FY25	QoQ (BPS)	FY25	FY24	YoY (BPS)
Raw Matl Cost	39.6	41.1	(151)	39.8	(21)	39.5	41.6	(207)
Gross Margin	60.4	58.9	151	60.2	21	60.5	58.4	207
Employee Exps	9.3	9.3	(0)	9.3	6	9.5	9.8	(27)
Other Exps	35.0	33.1	190	36.3	(128)	35.1	33.0	214

Source: Company, Way2Wealth

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Name of the analyst	Dhananjay Kansara
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Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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