

09<sup>th</sup> February 2024

CMP – ₹1,146.6/-

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## Q3FY24 Result Highlights

- **Q3FY24 Performance impacted mainly due to Tamil Nadu floods** – Topline declined 2.6% YoY and 3.8% QoQ to ₹13,672.5mn as the domestic revenue declined YoY from ₹8.13bn to ₹8.12bn impacted by floods (Loss of ₹400-500mn) in the Chennai factories. Exports sales were down from ₹3.64bn to ₹3.39bn YoY due to build up of inventory during the UAW strike which as per the management is now consumed. EBITDA grew 2.5% YoY but declined 12.8% QoQ at ₹2,012.6mn as the RM cost declined 1.3% QoQ along with hard negotiations with supplier, sun contracting cost under check, fixed cost under control and power cost managed well. Employee cost and other expenses witnessed growth of 2.3% YoY and 1.3% YoY respectively. EBITDA margin was at 14.7%, +73 bps YoY and –115 bps QoQ. The finance cost declined 30.9% YoY and 6.9% QoQ to ₹68.8mn. Net profit was at ₹1,286.6mn (Loss of ₹100-120mn due to floods) v/s ₹1,170.2mn YoY (-2.4% QoQ). D/E at 0.11x.
- **9MFY24 Revenue Mix (%) – Domestic – CV:PV+LCV+Engines:Tractors:2Ws – 40:35:10:sub-10.**
- **9MFY24Product-wise Revenue Mix (%) – OEM: Aftermarket: Export – 60:10-12:sub-30.**
- As per the management, going forward the exports revenue are likely to improve Q4FY24 and FY25 (Aims to touch 35-40%). Management guided export sales of ₹1.6-1.8bn for FY24.
- The management view overall demand both at Domestic and exports markets to improve as inventory stock at dealer level are getting depleted.
- Subsidiaries in UK and China have done well as RM costs have come down. In China, apart from the construction sector being down, all the industries are doing enabling strong demand for PV & EV segments. UK market industry dynamics is changing and as per the management 2024 is likely to do well.
- In the EV segment, as per the management samples have been sent to customers for approval. Major uptick in revenue to kick in 2HFY25. Revenue visibility is spread across 6 yrs with order book of ₹40bn. The company has relationship with all existing customers Like Tata, M&M, Maruti etc. along with focus on new customers. ₹3bn is earmarked capex under PLI scheme with expected order value of ₹30bn for the period 2025-31.
- Revenue from wind energy segment is currently at 12-13% of fasteners revenue. As per the management, the shipments for large clients have started and to see improvement further in Q4FY24 and FY25
- The management focus is to have deeper and wider servicing for the industrial segments by launching new products with enhanced efficacy and increasing the distributor and dealer reach.
- The management is currently working on a business exercise plan to increase the current capacity utilisation from 60-70% to +80%.
- 9MFY24 capex in line with planned capex of ₹3bn for FY24.
- Entered into a Memorandum of Understanding (MoU) with the Government of Tamil Nadu for the proposed investment of ₹14.11bn in its factories in the State of Tamil Nadu. The planned investments span up to 2027-28 and will be used for capacity expansion of existing products, including components for electric vehicles.
- For the ongoing Red sea shipping crisis, the management stated that the transit time has increased by 2-3 weeks with container freight prices going. Not much clarity given regarding margin impact due to cost escalation.

## Important Statistics

Nifty	21,650
Sensex	71,300
MCAP (₹ bn)	240.9
52week H/L (₹)	1334/952
Shares o/s (mn)	210.1
BSE Code	500403
NSE Code	SUNDRMFAST
Bloomberg Code	SF:IN

Shareholding Pattern	Dec'23 (%)
Promoters	48.5
DIIs	18.5
FIIIs	12.5
Public	20.5

Particulars	FY21	FY22	FY22
Revenue	36,443	49,021	56,628
EBITDA	6,641	8,014	8,535
EBITDA Margin(%)	18.2	16.3	15.1
Net Profit	3,592	4,567	4,947
EPS (₹)	17.1	21.7	23.5
DPS (₹)	4.7	6.5	8.6
RoE (%)	15.2	17.3	16.4
RoCE (%)	12.3	14.3	14.2
P/E (x)	67.1	52.7	48.7
EV/EBITDA (x)	37.4	31.0	29.1
P/BV (x)	10.2	9.1	8.0

Particulars	FY24E	FY25E	FY26E
Revenue	56,489	62,885	71,983
EBITDA	8,784	9,893	10,798
EBITDA Margin (%)	15.5	15.7	15.0
Net Profit	5,281	7,189	8,135
EPS (₹)	25.1	34.2	38.7
DPS (₹)	10.0	12.0	14.0
RoE (%)	16.6	18.6	20.7
RoCE (%)	15.9	16.7	17.8
P/E (x)	45.6	33.5	29.6
EV/EBITDA (x)	24.0	19.0	17.9
P/BV (x)	7.2	5.9	5.4

Source: Company, Way2Wealth

## Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SFL	17.3	94.3	115.3
Nifty 50	21.0	43.3	97.8
Sensex	17.3	38.9	95.9

Source: Company, Way2Wealth

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## View

SFL's witnessed weak Q3FY24 performance due to Chennai floods and awaiting inventory depletion in the export markets post strikes. Export revenues likely to show improvement in Q4FY24 and peaking in FY25. The company has a well-diversified customer and product portfolio, de-risking its business model from dependency on one customer or one product with focus on Non- Automotive business which is gaining traction. Export and non-automotive segments remain the key strategy areas in the near to medium term for the company to de-risk business from cyclical. The focus in the near to medium term is improve market share aided by capacity expansion along with localisation of customers requirement enabling increase in content per vehicle both in the domestic and export market. Hence, **we recommend it as an ACCUMULATE stock trading at P/E 29.6x FY26E EPS of ₹38.7.**

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## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
<b>Revenue</b>	<b>13,672.5</b>	<b>14,030.3</b>	<b>(2.6)</b>	<b>14,218.2</b>	<b>(3.8)</b>	<b>41,998.3</b>	<b>42,148.0</b>	<b>(0.4)</b>
Cost of Matl	5,612.8	6,400.4	(12.3)	6,367.6	(11.9)	17,819.0	19,323.8	(7.8)
Inventories Changes	164.4	(126.5)	230.0	(511.7)	(132.1)	(238.3)	(687.0)	65.3
Employee Exps	1,390.6	1,359.7	2.3	1,375.9	1.1	4,154.0	3,875.0	7.2
Other Exps	4,492.1	4,433.9	1.3	4,679.1	(4.0)	13,679.9	13,371.2	2.3
<b>EBITDA</b>	<b>2,012.6</b>	<b>1,962.8</b>	<b>2.5</b>	<b>2,307.3</b>	<b>(12.8)</b>	<b>6,583.7</b>	<b>6,265.0</b>	<b>5.1</b>
<b>EBITDA Margin (%)</b>	<b>14.7</b>	<b>14.0</b>	<b>73</b>	<b>16.2</b>	<b>(151)</b>	<b>15.7</b>	<b>14.9</b>	<b>81</b>
Other Income	311.3	200.4	55.3	73.0	326.4	429.4	413.4	3.9
Depreciation	536.6	498.6	7.6	544.6	(1.5)	1,599.8	1,478.2	8.2
Finance Cost	68.8	99.6	(30.9)	73.9	(6.9)	239.1	269.6	(11.3)
PBT	1,718.5	1,565.0	9.8	1,761.8	(2.5)	5,174.2	4,930.6	4.9
Tax	424.1	384.3	10.4	431.3	(1.7)	1,261.9	1,201.8	5.0
Minority Interest –(Profit)/Loss	7.8	10.5	(25.7)	11.8	(33.9)	31.0	45.5	(31.9)
<b>PAT</b>	<b>1,286.6</b>	<b>1,170.2</b>	<b>9.9</b>	<b>1,318.7</b>	<b>(2.4)</b>	<b>3,881.3</b>	<b>3,683.3</b>	<b>5.4</b>
EPS (₹)	6.1	5.6	9.9	6.3	(2.4)	18.5	17.5	5.4

As % of Sales	Q3FY24	Q3FY23	YoY(BPS)	Q2FY24	QoQ(BPS)	9MFY24	9MFY23	YoY(BPS)
Raw Matl Cost	42.3	44.7	(246)	41.2	107	41.9	44.2	(236)
Gross Margin	57.7	55.3	246	58.8	(107)	58.1	55.8	236
Employee Exps	10.2	9.7	48	9.7	49	9.9	9.2	70
Other Exps	32.9	31.6	125	32.9	(5)	32.6	31.7	85

Source: Company, Way2Wealth

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## FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India	24,025	27,413	21,409	21,920	30,146	36,626	38,951	40,875	45,349
Exports	12,794	18,166	15,823	14,523	18,875	20,001	17,538	22,010	26,634
<b>Revenue</b>	<b>49,021</b>	<b>45,579</b>	<b>37,232</b>	<b>36,443</b>	<b>49,021</b>	<b>56,628</b>	<b>56,489</b>	<b>62,885</b>	<b>71,983</b>
<b>EBITDA</b>	<b>8,014</b>	<b>8,004</b>	<b>5,929</b>	<b>6,641</b>	<b>8,014</b>	<b>8,535</b>	<b>8,784</b>	<b>9,893</b>	<b>10,798</b>
<b>EBITDA Margin (%)</b>	<b>16.3</b>	<b>17.6</b>	<b>15.9</b>	<b>18.2</b>	<b>16.3</b>	<b>15.1</b>	<b>15.5</b>	<b>15.7</b>	<b>15.0</b>
<b>PAT</b>	<b>4,567</b>	<b>4,575</b>	<b>3,249</b>	<b>3,592</b>	<b>4,567</b>	<b>4,947</b>	<b>5,281</b>	<b>7,189</b>	<b>8,135</b>
EPS (₹)	21.7	21.8	15.5	17.1	21.7	23.5	25.1	34.2	38.7
DPS (₹)	4.6	5.1	4.2	4.7	6.5	8.6	10.0	11.0	12.0
RoE (%)	29.7	24.4	16.2	15.2	17.3	16.4	16.6	18.6	20.7
RoCE (%)	20.4	18.1	11.9	12.3	14.3	14.2	15.9	16.7	17.8
FCF	1,551	(1,374)	3,942	2,605	1,975	2,304	3,649	4,319	4,765
Cash Balances	352	248	465	393	713	870	1,328	2,582	2,582
Net D/E (x)	0.5	0.6	0.5	0.3	0.3	0.2	0.1	0.1	0.1
Receivable Days	59	71	64	89	75	74	75	74	73
Inventory Days	93	127	136	172	145	135	134	128	125
Payable Days	80	96	92	151	102	79	84	83	81
P/E (x)	52.7	52.7	74.1	67.1	52.7	48.7	45.6	33.5	29.6
EV/EBITDA (x)	31.0	31.5	42.2	37.4	31.0	29.1	24.0	19.0	17.9
P/BV (x)	15.7	12.8	12.0	10.2	9.1	8.0	7.2	5.9	5.4

Source: Company, Way2Wealth Research

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Name of the Security	SUNDAM FASTENERS LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
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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