

10<sup>th</sup> November 2023

CMP – ₹1,247.2/-

View – **ACCUMULATE**

## Q2FY24 Result Highlights

- **Q2FY24 Performance in line with management expectations** – Topline grew 1.4% YoY and was flat QoQ to ₹14,218.2mn with growth inline as per the management expectations. Domestic revenue grew 7% YoY to ₹8.61mn as the industry good sales momentum in the CV, PV and 2Ws. The tractor industry sales were impacted due to uneven rains (coming from a high base). Exports sales were down from ₹3.77bn to ₹3.37bn YoY due to UAW strike. The management expects going forward the exports revenue are likely to improve 10% QoQ. Exports of fasteners in close to 15% of total revenue currently. As per the management, the OEMs are still not out of the semiconductors supply issue, but are managing to cater to the demand. EBITDA grew 12.7% YoY and 1.9% QoQ at ₹2,307.3mn as the RM cost declined 1.5% QoQ. Employee cost and other expenses witnessed growth of 7.5% YoY and 0.9% YoY respectively. EBITDA margin was at 16.2%, +162 bps YoY and +18bps QoQ. As per the management Indirect and RM cost have come down along with freight expenses while the power tariffs grew due to annual reset. Net profit was at ₹1,318.7mn v/s ₹1,152.9mn YoY (+3.3% QoQ). D/E at 0.11x. There were profits from subsidiaries as demand for replacement and last mile delivery trucks started showing improvement in UK and Chinese EV market doing well. Declared interim dividend of ₹2.68/- per share (F.V of ₹1/-)
- **Revenue Mix (%) – Domestic – CV:PV+LCV+Engines:Tractors:2Ws – 40:35:10-12:5**
- Within **Domestic – Revenue Mix (%) – OEM: Aftermarket- 58-60:10-12**
- As per the management, Exports revenue for FY24 likely to be ~US\$180-220mn with improvement starting from FY25.
- The management view overall demand both at Domestic and exports markets to improve as inventory stock at dealer level are getting depleted.
- Aftermarket in Q2FY24 starting showing improvement and likely to be on upward trajectory in next 4 months as per the management.
- Subsidiaries in UK and China have done well as RM costs have come down. In terms of outlook the management is guarded with marginal YoY growth.
- In the EV segment, business development in underway as the company is present 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. Possibility of Order wins close to US\$488mn in the next 2-3yrs. As per the management, the projects are on stream with production to start in 2HFY25.
- Revenue from wind energy project (brownfield expansion) to start from Q3FY24 with initial estimated annual run rate at ₹150-200mn and later on rising to ₹300-400mn next year.
- Capex guidance for FY24 at ₹3.2-3.75bn and likely to be similar in FY25 as per management estimates.

## Important Statistics

Nifty	19,380
Sensex	64,471
MCAP (₹ bn)	262.1
52week H/L (₹)	1334/871
Shares o/s (mn)	210.1
BSE Code	500403
NSE Code	SUNDRMFAST
Bloomberg Code	SF:IN

Shareholding Pattern	Sep'23 (%)
Promoters	48.5
DIIs	17.9
FIIIs	12.8
Public	20.8

(₹ mn)			
Particulars	FY20	FY21	FY22
Revenue	37,232	36,443	49,021
EBITDA	5,929	6,641	8,014
EBITDA Margin (%)	15.9	18.2	16.3
Net Profit	3,249	3,592	4,567
EPS (₹)	15.5	17.1	21.7
DPS (₹)	4.2	4.7	6.5
RoE (%)	16.2	15.2	17.3
RoCE (%)	11.9	12.3	14.3
P/E (x)	80.7	73.0	57.4
EV/EBITDA (x)	45.8	40.6	33.7
P/BV (x)	13.1	11.1	9.9

Particulars	FY23	FY24E	FY25E
Revenue	56,628	57,719	74,991
EBITDA	8,535	9,138	11,995
EBITDA Margin (%)	15.1	15.8	16.0
Net Profit	4,947	5,314	8,011
EPS (₹)	23.5	25.3	38.1
DPS (₹)	8.6	10.0	12.0
RoE (%)	16.4	16.8	21.1
RoCE (%)	14.2	15.7	18.7
P/E (x)	53.0	49.3	32.7
EV/EBITDA (x)	31.6	26.1	20.6
P/BV (x)	8.7	7.7	6.3

Source: Company, Way2Wealth Research

## Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SFL	30.7	173.3	130.5
Nifty 50	7.5	53.4	81.4
Sensex	6.8	49.6	82.6

Source: Company, Way2Wealth Research

## Jayakanth Kasthuri

[jayakanthk@way2wealth.com](mailto:jayakanthk@way2wealth.com)

Ph: 022-4019 2914

10<sup>th</sup> November 2023

CMP – ₹1,247.2/-

View – **ACCUMULATE**

## View

SFL's witnessed good Q2FY24 performance even as there was demand slowdown (on a high base), strikes in export markets etc for most of the quarter. Export revenues likely to show improvement starting from Q3FY24. Peak revenues from the Wind energy are expected to peak 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 cyclicalities. 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. Hence, **we recommend it as an ACCUMULATE stock trading at P/E 32.7x FY25E EPS of ₹38.1.**

10<sup>th</sup> November 2023

CMP – ₹1,247.2/-

View – **ACCUMULATE**

## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
<b>Revenue</b>	<b>14,218.2</b>	<b>14,016.5</b>	<b>1.4</b>	<b>14,107.6</b>	<b>0.8</b>	<b>28,325.8</b>	<b>28,117.7</b>	<b>0.7</b>
Cost of Matl	6,367.6	6,542.1	(2.7)	5,838.6	9.1	12,206.2	12,923.4	(5.5)
Inventories Changes	(511.7)	(490.9)	(4.2)	109.0	(569.4)	(402.7)	(560.5)	28.2
Employee Exps	1,375.9	1,279.4	7.5	1,387.5	(0.8)	2,763.4	2,515.3	9.9
Other Exps	4,679.1	4,639.0	0.9	4,508.7	3.8	9,187.8	8,937.3	2.8
<b>EBITDA</b>	<b>2,307.3</b>	<b>2,046.9</b>	<b>12.7</b>	<b>2,263.8</b>	<b>1.9</b>	<b>4,571.1</b>	<b>4,302.2</b>	<b>6.3</b>
<b>EBITDA Margin (%)</b>	<b>16.2</b>	<b>14.6</b>	<b>162</b>	<b>16.0</b>	<b>18</b>	<b>16.1</b>	<b>15.3</b>	<b>84</b>
Other Income	73.0	97.2	(24.9)	45.1	61.9	118.1	213.0	(44.6)
Depreciation	544.6	493.3	10.4	518.6	5.0	1,063.2	979.6	8.5
Finance Cost	73.9	80.9	(8.7)	96.4	(23.3)	170.3	170.0	0.2
PBT	1,761.8	1,569.9	12.2	1,693.9	4.0	3,455.7	3,365.6	2.7
Tax	431.3	402.1	7.3	406.5	6.1	837.8	817.5	2.5
Minority Interest - Profit/(Loss)	11.8	14.9	(20.8)	11.4	3.5	23.2	35.0	(33.7)
<b>PAT</b>	<b>1,318.7</b>	<b>1,152.9</b>	<b>14.4</b>	<b>1,276.0</b>	<b>3.3</b>	<b>2,594.7</b>	<b>2,513.1</b>	<b>3.2</b>
EPS (₹)	6.3	5.5	14.4	6.1	3.3	12.3	12.0	3.2

As % of Sales	Q2FY24	Q2FY23	YoY(BPS)	Q1FY24	QoQ(BPS)	1HFY24	1HFY23	YoY(BPS)
Raw Matl Cost	41.2	43.2	(199)	42.2	(97)	41.7	44.0	(230)
Gross Margin	58.8	56.8	199	57.8	97	58.3	56.0	230
Employee Exps	9.7	9.1	55	9.8	(16)	9.8	8.9	81
Other Exps	32.9	33.1	(19)	32.0	95	32.4	31.8	65

Source: Company, Way2Wealth Research

10<sup>th</sup> November 2023

CMP – ₹1,247.2/-

View – **ACCUMULATE**

## FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
India	20,441	24,025	27,413	21,409	21,920	30,146	36,626	38,095	47,244
Exports	11,491	12,794	18,166	15,823	14,523	18,875	20,001	19,624	27,747
<b>Revenue</b>	<b>36,443</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>57,719</b>	<b>74,991</b>
<b>EBITDA</b>	<b>6,641</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>9,138</b>	<b>11,995</b>
<b>EBITDA Margin (%)</b>	<b>18.2</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>15.8</b>	<b>16.0</b>
<b>PAT</b>	<b>3,592</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>5,314</b>	<b>8,011</b>
EPS (₹)	17.1	21.7	21.8	15.5	17.1	21.7	23.5	25.3	38.1
DPS (₹)	4.5	4.6	5.1	4.2	4.7	6.5	8.6	10.0	12.0
RoE (%)	28.9	29.7	24.4	16.2	15.2	17.3	16.4	16.8	21.1
RoCE (%)	19.2	20.4	18.1	11.9	12.3	14.3	14.2	15.7	18.7
FCF	38	1,551	(1,374)	3,942	2,605	1,975	2,304	4,427	4,765
Cash Balances	396	352	248	465	393	713	870	1,519	2,582
Net D/E (x)	0.6	0.5	0.6	0.5	0.3	0.3	0.2	0.1	0.1
Receivable Days	66	59	71	64	89	75	74	75	73
Inventory Days	115	93	127	136	172	145	135	134	125
Payable Days	90	80	96	92	151	102	79	84	81
P/E (x)	73.0	57.4	57.3	80.7	73.0	57.4	53.0	49.3	32.7
EV/EBITDA (x)	40.6	33.7	34.1	45.8	40.6	33.7	31.6	26.1	20.6
P/BV (x)	21.1	17.0	14.0	13.1	11.1	9.9	8.7	7.7	6.3

Source: Company, Way2Wealth Research

10<sup>th</sup> November 2023

CMP – ₹1,247.2/-

View – **ACCUMULATE**

## Disclaimer

**Analyst Certification:** I, Jayakanth Kasthuri, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

## Disclosure of Interest Statement: SUNDRAM FASTENERS LTD. as on 10<sup>th</sup> November 2023

Name of the Security	SUNDRAM 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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.