

11th May 2026

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View - **HOLD**

Q4FY26 Result Highlights

Important Statistics

Financial Performance

The company reported quarterly revenue growth of ~10.6% YoY. Overseas subsidiaries, particularly China, performed strongly, while the UK subsidiary saw moderation due to weakness in interest-sensitive commercial vehicle markets. A key highlight was the full reversal of earlier impairment provisions, driven by improved valuations classified as an exceptional gain.

During the year, the company made ₹11crs provision under the new labor code for gratuity liabilities, impacting comparability. Despite adjustments, profitability remained strong during the quarter with PBT at ₹213crs and PAT stood at ₹161crs.

➤ **Cost management highlights:**

- Subcontracting costs improved due to favorable product mix
- Power & fuel costs reduced via procurement through power exchanges and internal initiatives
- Fixed costs remained stable

➤ EBITDA margin improved to 15.1% vs 14.7% YoY, with EBITDA at ₹256crs.

➤ Exports initially moderated but returned to growth in Q4 (both USD and INR terms) aided by 4% INR depreciation. Tariff pressures eased with partial reimbursements and reduction in reciprocal duty to 10%, though high duties continue on steel and aluminum under the Trade Expansion Act.

➤ **Subsidiaries performance:**

- TVS Upasana delivered strong profitability
- China subsidiary drove valuation gains
- UK subsidiary impacted by macro softness but expected recovery with rate cuts

➤ **Business Performance & Strategy**

The OE segment remained strong, while retail grew ~20% YoY. Exports, after a weak phase, have returned to FY25 trajectory and are aligned with internal budgets.

April has started positively, and overall outlook remains strong across segments.

➤ **Strategy & Positioning**

The company continues to maintain leadership across its six key verticals, particularly in the internal combustion (IC) segment, where it remains a preferred supplier.

○ **On electrification:**

- The company has secured EV-related orders, especially in exports, but demand has softened recently due to postponements
- However, core exposure to high-horsepower engines (marine, power gen, heavy engines) ensures minimal near-term EV disruption

○ **Domestic market:**

- Continued leadership position
- Gradual EV transition but not disruptive
- Strong order wins from major OEMs in EV as well

○ **Key strategic levers:**

- Strong brand equity and quality focus
- Preferred development partner for OEMs
- Robust order book and continuous new order inflow
- High engagement in product development

➤ **Capital Allocation & Cost Structure**

○ **Capital allocation strategy:**

- ~₹300crs annual capex
- 25-30% for maintenance/replacement
- ~70% for growth and customer-driven investments

Nifty	24,176
Sensex	77,328
Close* (₹)	845.45
MCAP (₹ crs)	~17600
52-week H/L (₹)	1080/ 730
BSE Code	500403
NSE Code	SUNDRMFAST
Bloomberg Code	SF:IN

Close* as on 8th May 2026

Shareholding Pattern	
	Mar'26 (%)
Promoters	46.94
FIIIs	11.25
DIIIs	22.39
Public & Other	19.42

Financial Snapshot

(₹ mn)

Particulars	FY24	FY25	FY26	FY27E	FY28E
Revenue	5,666	5,955	6,289	6,850	7,587
EBITDA	889	945	996	1,151	1,301
EBITDA Margin	15.6%	15.9%	15.8%	16.8%	17.2%
PAT	526	542	593	693	799
PAT Margin	9.3%	9.1%	9.4%	10.2%	10.5%
EPS	25	26	28	33	38
ROE	15	14	14	15	15
PE	44	36	27	26	23

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SFL	-7.58	-20.6	18.09
Nifty 50	-1.8	31.7	62.05
Sensex	-4.73	24.6	56.44

Source: Company, Way2Wealth

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- **Cost structure:**
 - Raw material costs are largely stable
 - Pass-through mechanism exists for OEMs (price increases/decreases adjusted)
 - Aftermarket pricing is flexible based on competition
 - Exports benefit from non-pass-through advantage, boosting margins when RM prices are benign
- **Non-Auto Growth & Diversification**
 - **Non-auto segment is a key growth lever:**
 - Current contribution: ~35% of revenue (including tractors)
 - Target: move towards ~50% over time
 - **Key growth verticals:**
 - Railways: Current revenue ₹2–3crs/month; visibility to scale to ₹100crs
 - Aerospace fasteners: Scaling up with investments; key clients include GE, HAL, Skyroot
 - Wind energy fasteners: Expansion from ₹30–35crs/month to ₹50crs/month
 - Defense: Currently in pumps and machined castings; expanding scope across verticals
 - **Profitability:**
 - Non-auto margins are 100–200 bps higher than auto
 - Better cash flows due to shorter working capital cycles (especially domestic)
- **Exports Strategy & Customer Expansion**

Exports currently contribute ~30–35% of revenue, with aspiration to reach ~50% long term.

 - **Recent trends:**
 - Temporary decline due to tariffs and geopolitical issues
 - Recovery underway with new programs and customer additions
 - **Customer strategy:**
 - Focus on cross-selling to existing OEMs
 - Expansion in:
 - North America (strong base)
 - Europe (new wins emerging)
 - New customer additions in non-auto (e.g., Daikin)
- **Aftermarket Dynamics**
 - **Replacement cycles vary by product:**
 - Oil pumps: Fit-and-forget
 - Water pumps:
 - Trucks: ~2–2.5 years
 - Cars: ~4 years
 - Tractors: ~2 years
 - Fasteners: Replacement every 2–3 years depending on usage
- **Aftermarket offers:**
 - Stable Higher margins
 - recurring demand
- **Segment Mix & Growth Outlook**
 - **Revenue mix (FY26):**
 - Fasteners: 40–42%
 - Pumps & assemblies: 25–27%
 - Cold extruded parts: ~15%
 - Hot forged & machined components: ~12%



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- **Growth outlook:** Target double-digit growth over next 2 years
- **Segment growth expectations:**
 - OE: ~13%
 - Retail: ~15%
 - Exports: 20%
 - Blended: ~15%
- **Industry Outlook & Competitive Positioning**
 - **Industry growth (FY26):**
 - CV: ~7%
 - PV: ~6%
 - Tractors: ~22%
 - **Company outlook:**
 - Outperformance by 2–3 percentage points vs industry
 - Expected growth:
 - CV: ~8%
 - PV: ~10%
 - Tractors: ~6–7%
 - **Key growth drivers:**
 - Base demand recovery
 - New customer acquisition
 - Recovery in small car segment (post GST & tax benefits)
 - Market share gains (smaller players exiting due to geopolitical challenges)
- **Raw Material & Cost Outlook**
 - Raw material prices stable across Q4
 - No significant inflation observed
 - Outlook remains stable for upcoming quarters
 - Pass-through mechanism protects margins for key commodities (steel, aluminum, nickel, copper)
- **Exports Market Outlook**
 - **Exports faced headwinds due to:**
 - Tariff issues
 - Geopolitical uncertainty
 - Weak North American demand (especially Class 8 trucks)
 - **Challenges included:**
 - Delayed fleet purchases
 - Uncertainty around EPA 2027 emission norms
 - **Current status:**
 - Clarity improving on regulations
 - Demand gradually recovering
 - Momentum expected to sustain over next 2–3 quarters

View

SFL reported a strong Q4FY26, with recovery in exports and continued strength in OE and retail (retail ~20% YoY). Margins improved led by stable raw material costs and operating leverage. Export headwinds eased with better demand visibility and partial tariff normalization, while EV-related delays persist but remain non-disruptive near term. Domestic demand stayed resilient with market share gains and recovery in key segments, and non-auto verticals (railways, aerospace, wind) continued to scale with higher margin contribution. SFL exits FY26 with improving growth visibility and margin strength, supporting a positive near-term outlook. **Hence, we recommend *HOLD* stock trading at P/ E 27x FY28E EPS of ₹38.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Revenue	1,693	1,531	10.6	1,541	9.9	6,289	5,955	5.6
Cost of Matl	682	629	8.4	600	13.7	2,545	2,465	3.3
Inventories Changes	2	(21)	(109.5)	6	(66.3)	(60)	(112)	(46.0)
Employee Exps	154	142	8.5	144	6.9	585	566	3.3
Other Exps	599	555	7.9	551	8.8	2,223	2,092	6.3
EBITDA	256.1	224.7	14.0	240.3	6.6	995.9	944.1	5.5
EBITDA Margin (%)	15.1	14.7	44	15.6	(46)	15.8	15.9	(2)
Other Income	27	7.2	270.4	12	114.6	79	28	180.5
Depreciation	60	58.1	2.7	57	3.8	236	224	5.4
Finance Cost	10	9.5	7.8	8	33.0	38	34	13.7
PBT	213	164.3	29.6	187.5	13.5	801.2	715.0	12.1
Tax	51	39.8	29.4	44	18.1	195	173	12.7
Exceptional Items	-	-	NA	13.1	NA	13.1	-	NA
PAT	161	124	29.6	131	23.4	593	542	9.4
EPS (₹)	7.7	5.9	29.7	6.2	23.7	28.1	25.7	9.6

Source: Company, Way2Wealth

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Analyst's Associate/Firm : Yes/No	No
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