

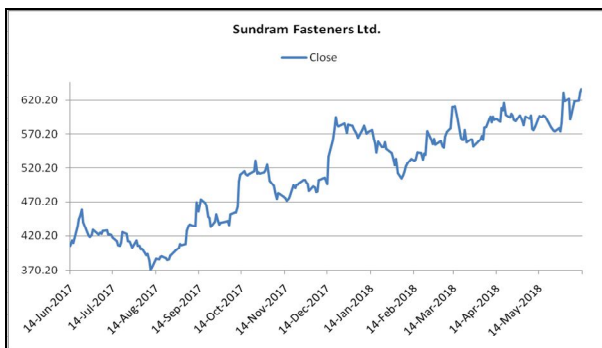
Sundram Fasteners Ltd.

INDUSTRY	Fasteners
No. of Shares (Crore)	21.01
Face value (Rs)	1.00
Mkt. Cap (Rs. Crore)	13176.10
Price (14/06/2018)	627.05
Book Value (Rs)	56.86
P/BV	11.03
BSE Code	500403
NSE Code	SUNDRMFAST
Bloomberg	SF IN
Reuters	SNFS.BO
Avg. Monthly Volume	207,247
52 W H/L (Rs)	648.95 / 363.35

Further to our Research report dated October 18th 2017, wherein we had recommended a BUY at the then price of Rs. 511.05, the share price had reached its all time high to Rs. 648.95 increased by ~27% in June 2018. The company has been steadily moving towards new highs with strong financial outlook. The growth in Indian auto-components industry with large domestic market, improved consumer sentiments, stable government framework and an ever increasing development in infrastructure has made India a favorable destination for investment specifically in the auto sector. Thus, at the current market price of Rs. 627.05 per share, further BUY is recommended with a medium to long term view.

Recommendation

BUY



Company Background

Sundram Fasteners Limited (SFL), a part of \$5 billion TVS Group is one of the leading auto component manufacturers in India which has been operational since 1966 headquartered in Chennai. SFL has grown into a global leader, manufacturing critical, high precision components for the automotive, infrastructure, windmill and aviation sectors. SFL's product range includes high-tensile fasteners, cold extruded parts, hot forged components, powder metallurgy, radiator caps, gears and couplings, pumps & assemblies and powertrain components.

Investment Rationale

- SFL with its subsidiaries has a global manufacturing presence that spans India, China, United Kingdom and Malaysia. Company has also signed technical collaboration agreement with German companies to introduce new products with more advance technology.
- It has trust of both OEM (Original Equipment Manufacturer) and aftermarket customers in 2 wheelers, 4 wheelers, farm equipment and commercial vehicle segment in highly competitive markets like India, China, Germany, USA, UK, Italy, France and Brazil.
- For the period of FY13-17, its topline and bottomline grew at a CAGR of ~6% and ~30% respectively. Its consolidated FY18 annual revenue and PAT grew by ~10% to Rs. 3888 crore & 15% to Rs. 388 crore respectively, YoY in the light of increase in production of passenger vehicles, utility vehicles, light commercial vehicle and two wheelers. SFL has been consistently paying Dividend since many years.
- Globalization of auto sector will benefit the India auto-component manufacturers as the export potential could be very high in the future. SFL has seen increase in exports from Rs. 332 crores in FY10 to Rs. 1,144 crores in FY18 accounting for around 29% of overall revenues as on FY18. SFL's key markets for exports include US, Europe, Middle East and other Asian markets.
- SFL is well poised for future growth and will be investing around Rs. 350 crore in the current fiscal while since last few years their general capex stood at around Rs. 200-300 crore to upgrade and add fresh capacities across its plants. They are also ready with EV technology and keeping up with customers requirements.
- SFL's core competency in manufacturing of specialized fasteners, caters to wide spectrum of customers including all big brands in the commercial vehicle, multi utility vehicle segment, two wheeler segment, tractors and passenger car segments.

Recommendation - Global shift and GoI's initiative towards electric and hybrid cars will create new opportunities for the auto-component manufacturers. Healthy growth in the auto sector and SFL's diversified product line, world-class manufacturing facilities, global presence, decades of technical expertise and focus on exports & acquisition provides huge growth potential for the company. At the CMP of Rs. 627.05, the stock trades at ~26 times FY20 EPS of Rs. 24. **Hence, we recommend a BUY on the stock with a Target Price of Rs. 720 with an upside potential of ~15% from the current level with an investment horizon of 9-12 months.**

Particulars (Rs. Crs)	Q4FY18 [^]	Q4FY17 [^]	Var ^o %	FY18*	FY17*	Var%	FY16*	FY15*
Net Sales	945.45	848.03	11.49	3887.81	3541.95	9.76	3254.87	3156.14
PBIDT	183.20	137.20	33.53	703.71	604.51	16.41	445.73	392.54
Profit After Tax	95.22	87.66	8.62	388.17	338.18	14.78	125.08	132.01
PBIDTM %	19.38	16.18	19.77	18.10	17.07	6.03	13.69	12.44
PATM %	10.07	10.34	-2.57	9.98	9.55	4.50	3.84	4.18
EPS (Rs.)	4.53	4.17	8.63	18.40	16.06	14.57	6.00	6.25

[^]Numbers are Standalone, *Numbers are Consolidated

Financials

Results (Value in Rs. Crs)						
Particulars (Rs. Crs)	Q4FY18^	Q4FY17^	Var%	FY18*	FY17*	Var%
Net Sales	945.45	848.03	11.49	3887.81	3541.95	9.76
Total Expenditure	779.59	712.16	9.47	3207.30	2952.85	8.62
PBIDT (Excl OI)	165.86	135.87	22.07	680.51	589.10	15.52
Other Income	17.34	1.33	1203.76	23.20	15.41	50.55
Operating Profit	183.20	137.20	33.53	703.71	604.51	16.41
Interest	12.31	-	-	37.45	39.13	-4.29
Exceptional Items	-	-2.37	-	0.00	-2.37	100.00
PBDT	170.89	134.83	26.74	666.26	563.01	18.34
Depreciation	25.17	18.92	33.03	112.33	104.49	7.50
PBT	145.72	115.91	25.72	553.93	458.52	20.81
Tax	50.50	28.25	78.76	165.76	120.34	37.74
Profit After Tax	95.22	87.66	8.62	388.17	338.18	14.78
Other Comprehensive Incomes	18.23	3.19	471.47	25.90	2.97	772.05
Total Comprehensive Income	113.45	90.85	24.88	412.47	340.99	20.96
EPS (Rs.)	4.53	4.17	8.63	18.40	16.06	14.57

^Numbers are Standalone, *Numbers are Consolidated

Consolidated Income Statement (Value in Rs. Crs)					
	FY13	FY14	FY15	FY16	FY17
Net Sales	2650.99	2736.20	3156.14	3254.87	3541.95
Total Expenditure	2384.89	2446.74	2780.40	2870.86	2952.85
PBIDT (Excl OI)	266.10	289.46	375.74	384.00	589.10
Other Income	41.11	48.96	16.80	61.72	15.41
Operating Profit	307.21	338.42	392.54	445.73	604.51
Interest	89.78	67.60	94.47	72.77	39.13
PBDT	217.43	270.83	298.08	372.96	563.01
Depreciation	94.19	102.14	115.75	116.40	104.49
Exceptional Items	14.65	-0.09	0.05	-117.60	-2.37
PBT	137.90	168.60	182.37	138.96	458.52
Tax	44.17	47.77	50.36	13.88	120.34
Profit After Tax	93.72	120.83	132.01	125.08	338.18
Minority Interest	-0.44	0.00	-0.70	0.97	-0.67
Consolidated Net Profit	92.93	120.77	131.24	126.04	337.51
EPS (Rs.)	4.44	5.75	6.25	6.00	16.06

Consolidated Balance Sheet (Value in Rs. Crs)					
Description	FY13	FY14	FY15	FY16	FY17
EQUITY AND LIABILITIES					
Share Capital	21.01	21.01	21.01	21.01	21.01
Share Warrants & Outstandings	0.00	0.00	0.00	0.00	0.00
Total Reserves	684.99	780.38	857.76	932.58	1215.12
Shareholder's Funds	706.00	801.39	878.78	953.59	1236.13
Minority Interest	4.15	3.88	10.45	9.47	5.63
Long-Term Borrowings					
Secured Loans	291.65	226.56	197.63	175.74	124.76
Unsecured Loans	20.00	20.00	5.37	0.00	25.01
Deferred Tax Assets / Liabilities	96.20	96.65	90.10	57.39	72.40
Other Long Term Liabilities	0.41	0.09	0.00	0.00	0.00
Long Term Provisions	0.00	0.54	0.89	0.23	0.26
Total Non-Current Liabilities	3.37	3.45	4.93	7.48	15.30
Current Liabilities					
Trade Payables	251.05	339.38	297.64	335.47	313.63
Other Current Liabilities	163.32	151.61	232.04	253.29	226.11
Short Term Borrowings	459.69	432.05	542.34	387.11	469.69
Short Term Provisions	73.60	87.99	80.95	22.10	38.76
Total Current Liabilities	947.66	1011.03	1152.97	997.97	1048.20
Total Liabilities	2069.45	2163.60	2341.12	2201.87	2527.68
ASSETS					
Non-Current Assets					
Gross Block	1800.99	2048.71	2148.62	1811.34	1997.18
Less: Accumulated Depreciation	893.38	1041.59	1129.79	889.86	975.91
Net Block	907.61	1007.12	1018.82	917.20	1021.09
Capital Work in Progress	33.51	40.41	21.75	53.98	69.19
Non Current Investments	8.91	10.02	3.37	35.16	38.46
Long Term Loans & Advances	41.56	47.59	68.87	74.41	82.11
Other Non Current Assets	1.40	0.79	0.57	0.47	5.45
Total Non-Current Assets	992.98	1105.94	1113.38	1081.21	1216.30
Current Assets Loans & Advances					
Currents Investments	0.11	0.11	3.38	2.45	2.88
Inventories	440.30	440.95	526.45	424.22	449.03
Sundry Debtors	494.12	483.92	491.86	541.29	654.14
Cash and Bank	21.69	25.49	24.84	26.79	39.49
Other Current Assets	29.86	28.42	28.94	14.72	15.65
Short Term Loans and Advances	90.39	78.77	152.27	99.44	108.91
Total Current Assets	1076.46	1057.66	1227.74	1108.91	1270.10
Net Current Assets (Including Current Investments)	128.80	46.63	74.76	110.94	221.90
Total Current Assets Excluding Current Investments	1076.35	1057.55	1224.36	1106.46	1267.22
Total Assets	2069.45	2163.60	2341.12	2201.87	2527.68

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